

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For fiscal year ended December 31, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report:

Commission file number: 000-22216



Canadian Zinc Corporation

(Exact Name of Registrant as Specified in its Charter)

British Columbia, Canada	1400	N/A
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code)	(I.R.S. Employer Identification No.)

**650 West Georgia Street, Suite 1710
Vancouver, British Columbia, Canada V6B 4N9
(604) 688-2001**

(Address and Telephone Number of Registrant's Principal Executive Offices)

CT Corporation System, 111 Eighth Avenue, New York, NY, 10011, (212) 590-9070

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act: **None**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **Common Shares, no par value**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2017:
266,111,543 common shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No ☒ X

If this is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No ☒ X

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ X No ☐ _

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ ____ No ☐ _

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ _ Accelerated filer ☐ _ Non-accelerated filer ☒ X Emerging growth company ☒ X

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act. ☐ ____

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ ____ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ X Other ☐ ____

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ _ No ☒ X

CONTENTS

FORWARD-LOOKING STATEMENTS	5
RESOURCE AND RESERVE ESTIMATES	5
MEASUREMENT CONVERSION INFORMATION.....	7
GLOSSARY OF NAMES AND TERMS.....	7
NATIONAL INSTRUMENT 43-101 DEFINITIONS	8
PART I.....	9
ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS.....	9
ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE	9
ITEM 3. KEY INFORMATION.....	9
<i>A. Selected Financial Data</i>	<i>9</i>
<i>B. Capitalization and Indebtedness.....</i>	<i>10</i>
<i>C. Reasons for the Offer and Use of Proceeds.....</i>	<i>10</i>
<i>D. Risk Factors.....</i>	<i>10</i>
ITEM 4. INFORMATION ON THE COMPANY.....	24
<i>A. History and Development of the Company</i>	<i>24</i>
<i>B. Business Overview</i>	<i>45</i>
<i>C. Organizational Structure</i>	<i>46</i>
<i>D. Property, Plant and Equipment.....</i>	<i>47</i>
ITEM 4A. UNRESOLVED STAFF COMMENTS	113
ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS.....	113
<i>A. Operating Results</i>	<i>113</i>
<i>B. Liquidity and Capital Resources</i>	<i>115</i>
<i>C. Research and Development, Patents and Licences, Etc.</i>	<i>117</i>
<i>D. Trend Information</i>	<i>117</i>
<i>E. Off-balance Sheet Arrangements</i>	<i>117</i>
<i>F. Tabular Disclosure of Contractual Obligations.....</i>	<i>117</i>
ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.....	119
<i>A. Directors and Senior Management.....</i>	<i>119</i>
<i>B. Compensation.....</i>	<i>119</i>
<i>C. Disclosure of Corporate Governance Practices</i>	<i>134</i>
<i>D. Employees</i>	<i>142</i>
<i>E. Share Ownership</i>	<i>142</i>
ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	142
<i>A. Major Shareholders.....</i>	<i>142</i>
<i>B. Related Party Transactions.....</i>	<i>143</i>
<i>C. Interests of Experts and Counsel</i>	<i>144</i>
ITEM 8. FINANCIAL INFORMATION.....	144
<i>A. Consolidated Statements and Other Financial Information</i>	<i>144</i>
<i>B. Significant Changes</i>	<i>144</i>
ITEM 9. THE OFFER AND LISTING	144
<i>A. Offer and Listing Details.....</i>	<i>144</i>
<i>B. Plan of Distribution.....</i>	<i>146</i>
<i>C. Markets</i>	<i>146</i>
<i>D. Selling Shareholders.....</i>	<i>146</i>
<i>E. Dilution</i>	<i>146</i>
<i>F. Expenses of the Issue.....</i>	<i>146</i>
ITEM 10. ADDITIONAL INFORMATION.....	146

<i>A. Share Capital</i>	<i>146</i>
<i>B. Memorandum and Articles of Association</i>	<i>147</i>
<i>C. Material Contracts.....</i>	<i>148</i>
<i>D. Exchange Controls</i>	<i>148</i>
<i>E. Taxation</i>	<i>149</i>
<i>F. Dividends and Paying Agents</i>	<i>158</i>
<i>G. Statements by Experts</i>	<i>158</i>
<i>H. Documents on Display.....</i>	<i>158</i>
<i>I. Subsidiary Information.....</i>	<i>158</i>
ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.....	159
ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	160
PART II.....	160
ITEM 13. DEFAULTS, DIVIDEND ARREARS AND DELINQUENCIES	160
ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS.....	161
<i>A to D.....</i>	<i>161</i>
<i>E. Use of Proceeds</i>	<i>161</i>
ITEM 15. CONTROLS AND PROCEDURES	161
<i>A. Disclosure Controls and Procedures</i>	<i>161</i>
<i>B. Management's Report on Internal Control over Financial Reporting</i>	<i>161</i>
<i>C. Attestation Report of Registered Public Accounting Firm</i>	<i>162</i>
<i>D. Changes in Internal Control Over Financial Reporting.....</i>	<i>162</i>
ITEM 16. [RESERVED].....	162
ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT	162
ITEM 16B. CODE OF ETHICS	162
ITEM 16C. PRINCIPAL ACCOUNTANT AND FEES AND SERVICES	163
ITEM 16D. EXEMPTIONS FROM THE LISTINGS STANDARDS FOR AUDIT COMMITTEES.....	163
ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.....	163
ITEM 16F. CHANGE IN REGISTRANTS'S CERTIFYING ACCOUNTANT	163
ITEM 16G. CORPORATE GOVERNANCE	163
ITEM 16H. MINE SAFETY DISCLOSURE	163
PART III	164
ITEM 17. FINANCIAL STATEMENTS	164
ITEM 18. FINANCIAL STATEMENTS	164
ITEM 19. EXHIBITS.....	164
SIGNATURES	166

FORWARD-LOOKING STATEMENTS

This Annual Report (“**Annual Report**”) contains forward-looking statements that are made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and under Canadian securities laws that involve a number of risks and uncertainties. Such statements are based on the Company’s current expectations, estimates and projections about the industry, management’s beliefs and certain assumptions made by it. We use words such as “expect,” “anticipate,” “project,” “believe,” “plan,” “intend,” “seek,” “should,” “estimate,” “future” and other similar expressions to identify forward-looking statements. The Company’s actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors.

Statements about 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; the timing for the completion of the definitive feasibility study; 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; the impact to the Company of future accounting standards and discussion of risks and uncertainties around the Company’s business are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, the Company’s actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors. You should not place undue reliance on these forward-looking statements.

Information relating to the magnitude or quality of mineral deposits is deemed to be forward-looking information. The reliability of such information is affected by, among other things, uncertainty involving geology of mineral deposits; uncertainty of estimates of their size or composition; uncertainty of projections relating to costs of production or estimates of market prices for the mineral; the possibility of delays in mining activities; changes in plans with respect to exploration, development projects or capital expenditures; and various other risks including those relating to health, safety and environmental matters.

The Company cautions that the list of factors set forth above is not exhaustive. Some of the risks, uncertainties and other factors which negatively affect the reliability of forward-looking information are discussed in the Company’s public filings with the Canadian securities regulatory authorities, including its most recent Annual Report, quarterly reports, material change reports and press releases, and with the United States Securities and Exchange Commission (the “**SEC**”). In particular, your attention is directed to the risks detailed herein concerning some of the important risk factors that may affect its business, results of operations and financial conditions. You should carefully consider those risks, in addition to the other information in this Annual Report and in the Company’s other filings and the various public disclosures before making any business or investment decisions involving the Company and its securities.

The Company undertakes no obligation to revise or update any forward-looking statement, or any other information contained or referenced in this Annual Report to reflect future events and circumstances for any reason, except as required by law. In addition, any forecasts or guidance provided by the Company are based on the beliefs, estimates and opinions of the Company’s management as at the date of this Annual Report and, accordingly, they involve a number of risks and uncertainties. Consequently, there can be no assurances that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Except as required by law, the Company undertakes no obligation to update such projections if management’s beliefs, estimates or opinions, or other factors should change.

RESOURCE AND RESERVE ESTIMATES

This Annual Report on Form 20-F includes resource and reserve information that has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“**NI 43-101**”) and the Canadian Institute of Mining, Metallurgy and Petroleum (the “**CIM**”) - *CIM Definition Standards on Mineral Resources and Mineral Reserves*, adopted by the CIM Council, as amended. These definitions differ from the definitions in SEC Industry Guide 7 under the United

States Securities Act of 1933, as amended (the “**Securities Act**”). Under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of “contained ounces” or “contained metal” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC Industry Guide 7 standards as in place tonnage and grade without reference to unit measures.

U.S. Investors should note that Canadian Zinc Corporation DOES NOT currently disclose any SEC Industry Guide 7 mineral reserves with regard to its mineral deposits at the Prairie Creek Mine site.

MEASUREMENT CONVERSION INFORMATION

In this Annual Report, metric measures are used with respect to mineral properties described herein. For ease of reference, the following conversion factors are provided:

1 mile = 1.6093 kilometres
1 metric ton (tonne) = 2,205 pounds
1 foot = 0.305 metres
1 troy ounce = 31.103 grams
1 acre = 0.4047 hectare
1 imperial gallon = 4.546 litres
1 long ton = 2,240 pounds
1 imperial gallon = 1.2010 U.S. gallons

GLOSSARY OF NAMES AND TERMS

“BQ” – Referring to diamond drill core with a diameter of 36.5 mm or 1.438 inches.

“Deposit” -- A mineralized body which has been physically delineated by sufficient drilling, trenching, and/or underground work, and found to contain a sufficient average grade of a commodity, metal or metals to warrant further exploration and/or development expenditures. Such a deposit does not qualify as a commercially mineable ore body or as containing reserves of ore, unless final legal, technical, and economic factors are resolved.

“NQ” – Referring to diamond drill core with a diameter of 47.6 mm or 1.835 inches.

“Ore” -- A natural aggregate of one or more minerals which, at a specified time and place, may be mined and sold at a profit or from which some part may be profitably separated.

“Reclamation” -- The restoration of land and the surrounding environment of a mining site after the metal is extracted.

“Ton” -- Short ton (2,000 lbs.). 1 Ton equals 0.907185 Metric Tons.

“Tonne (t)” -- Metric ton (1,000 kilograms). 1 Tonne equals 1.10231 Tons.

NATIONAL INSTRUMENT 43-101 DEFINITIONS

National Instrument 43-101 requires mining companies to disclose reserves and resources using the subcategories of proven reserves, probable reserves, measured resources, indicated resources and inferred resources. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

A “**mineral reserve**” is the economically mineable part of a measured or indicated resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allows for losses that may occur when the material is mined. A “**proven mineral reserve**” is the economically mineable part of a measured resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. A “**probable mineral reserve**” is the economically mineable part of an indicated mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit.

A “**mineral resource**” is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. A “**measured mineral resource**” is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity. An “**indicated mineral resource**” is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed. Mineral resources that are not mineral reserves do not have demonstrated economic viability. An “**inferred mineral resource**” is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

A “**feasibility study**” is a comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production. A “**preliminary feasibility study**” or “**pre-feasibility study**” is a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating, economic factors and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve. “**Cut-off grade**” means (a) in respect of mineral resources, the lowest grade below which the mineralized rock currently cannot reasonably be expected to be economically extracted, and (b) in respect of mineral reserves, the lowest grade below which the mineralized rock currently cannot be economically extracted as demonstrated by either a preliminary feasibility study or a feasibility study. Cut-off grades vary between deposits depending upon the amenability of ore to mineral extraction and upon costs of production and metal prices.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following table sets forth selected financial data of the Company. This selected financial data is derived from the Company's audited financial statements and notes thereto, as at December 31, 2017, 2016, 2015, 2014 and 2013. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, which differs in certain respects from U.S. GAAP. The selected financial data provided below is not necessarily indicative of the future results of operations or financial performance of the Company. The Company has not paid any dividends on its common shares and it does not expect to pay dividends in the foreseeable future. The selected financial data set forth below should be read in conjunction with "Item 5 – Operating and Financial Review and Prospects", and the financial statements and the notes thereto and other financial information which appear elsewhere in this Annual Report.

Selected Financial Data (CDN\$ in thousands, except share and per share data)

	Year ended December 31,				
	2017	2016	2015	2014	2013
Amounts in accordance with IFRS:					
Net loss	\$ (11,074)	\$ (5,077)	\$ (8,262)	\$ (12,434)	\$ (6,911)
Basic and diluted loss per share	(0.04)	(0.02)	(0.04)	(0.06)	(0.04)
Total assets	21,565	18,497	11,183	21,899	19,272
Net assets	5,667	15,899	8,907	17,045	15,685
Share capital	114,618	114,618	104,028	104,028	91,823
Reserves	16,715	15,873	14,394	14,270	12,681
Dividends declared (per share)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding – basic and diluted	266,111,543	238,480,985	218,047,709	192,465,968	166,539,368
Number of common shares outstanding	266,111,543	266,111,543	218,047,709	218,047,709	172,828,575

In this Annual Report, unless otherwise specified, all dollar amounts are expressed in Canadian dollars ("CDN").

Since June 1, 1970, the Government of Canada has permitted a floating exchange rate to determine the value of the Canadian dollar against the U.S. dollar. The high and low exchange rates, the average rates (average of the exchange rates on the last day of each month during the period), and the end of the period rates for Canadian dollars, expressed in U.S. dollars, from January 1, 2013 to December 31, 2017 were as follows:

	U.S. DOLLARS PER \$1.00 (CDN)				
	Years ended December 31				
	2017	2016	2015	2014	2013
High	0.8245	0.7972	0.8527	0.9422	1.0164
Low	0.7276	0.6854	0.7148	0.8589	0.9348
Average	0.7708	0.7548	0.7820	0.9027	0.9670
End of Period	0.7971	0.7448	0.7225	0.8620	0.9402

The high and low exchange rates for Canadian dollars, expressed in U.S. dollars for each of the most recent six months were as follows:

	U.S. DOLLARS PER \$1.00 (CDN)					
	Monthly					
	September '17	October '17	November '17	December '17	January '18	February '18
High	0.8245	0.8018	0.7885	0.7971	0.8135	0.8138
Low	0.8013	0.7756	0.7759	0.7760	0.7978	0.7807

The exchange rate on March 27, 2018 was 0.7771.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

The following is a discussion of those distinctive or special characteristics of the Company's operations and industry which may have a material impact on, or constitute risk factors in respect of, the Company's future financial performance. 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.

Financing and Going Concern

At December 31, 2017, the Company had a positive working capital balance of \$11,791,000 including cash and cash equivalents of \$12,979,000 and short-term investments of \$31,000.

On December 22, 2017, the Company entered into a financing agreement ("**Project Bridge Loan**") with Resource Capital Fund VI L.P. ("**RCF VI**") pursuant to which RCF VI provided an interim non-convertible project loan in the amount of US\$10 million. The Project Bridge Loan will mature on January 31, 2019. The Project Bridge Loan is secured by a charge on the Company's assets and contains customary affirmative and negative covenants and events of default.

Canadian Zinc has a history of losses with no operating revenue other than minor interest income. 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.

Canadian Zinc does not currently generate any cash flow from its operations and will need to generate additional financial resources to fund its corporate administration costs and working capital, to refinance or renew the loan payable when it becomes due in January 2019, and to continue the development of the Prairie Creek Project and to put the Prairie Creek Mine into production.

The development of the Prairie Creek Mine will require substantial additional financing. The 2017 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 \$253 million, plus a contingency of \$26 million for a total of \$279 million. Working capital required upon commencement of production is estimated to be \$36 million.

Supported by the results of the 2017 Feasibility Study, 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. The Company is currently evaluating various opportunities and seeking

additional sources of financing. The Investor Agreement with RCF VI contains various rights granted to RCF VI, including among other things: a period of exclusivity to work with the Company to define the terms of RCF VI's future participation in the project financing of the Prairie Creek Mine, on terms and conditions to be agreed by the Company and RCF VI remain in discussions regarding RCF VI's further participation in future project financings. However, the ability to raise financing may be impacted by conditions beyond the control of the Company, including future projections of commodity prices, uncertainty in the capital markets and the lack of investor interest in the resource sector.

The ability of the Company to continue as a going concern and to carry out its planned business objectives, including the successful development of the Company's Prairie Creek property 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. There is no assurance that the Company will continue to be able to obtain additional financial resources or that such additional financing will be available to the Company on a timely basis or on acceptable terms. There are no assurances that the Company will be successful in obtaining the required financing and/or achieve positive cash flows or profitability. These conditions indicate the existence of material uncertainties which cast significant doubt about the Company's ability to continue as a going concern.

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.

Permitting, Environmental and Other Regulatory Requirements

The Company's operations are subject to permitting, environmental and other regulatory requirements which the Company may not be able to comply with.

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.

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.

The environmental assessment of the Company's application for a permit for an All Season Road which was ongoing for almost four years was completed in September 2017. The Mackenzie Valley Environmental Impact Review Board ("**MVRB**" or "**Review Board**") concluded that an environmental impact review of this proposed development is not necessary and that the proposed All Season Road Project should proceed to the regulatory phase. The Environmental Assessment Report has been forwarded to the Federal Minister of Crown-Indigenous Relations and Northern Affairs, with a recommendation that the development be approved, subject to the measures described in the Report.

On January 18, 2018, the Minister of Crown Indigenous Relations and Northern Affairs Canada, invoked a two-month extension to the timeline for the Minister's decision on the Report of Environmental Assessment for the Prairie Creek All Season Road, originally due by February 12, 2018, to allow the federal and territorial governments to complete aboriginal consultations.

In connection with such consultations on January 19, 2018, Indian and Northern Affairs Canada ("**INAC**") provided Canadian Zinc with five information requests, identifying specific issues raised by Indigenous groups that need further clarity through proponent engagement, so the Responsible Ministers can be confident that the Crown has discharged its legal duty to consult by meaningfully and completely consulting with impacted Indigenous groups.

The issue of the information requests, pursuant to subsection 130 (4.06) of the *Mackenzie Valley Resource Management Act*, has the effect of stopping the clock on the five-month time limit for the Responsible Ministers to make a decision on the Report of Environmental Assessment. The time limit, extended by an additional two months, will resume only after the Company has provided an adequate response to the information sought.

Following approval by the Minister, the regulatory phase, conducted by the Mackenzie Valley Land and Water Board (the "**Water Board**") with input from territorial and federal agencies, is the next permitting stage in which the road permit is issued by the Water Board.

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's operations are exposed to various levels of political, legislative and other risks and uncertainties.

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 with the enactment of the *Mackenzie Valley Resource Management Act* ("**MVRMA**"). In 2007, the Federal Government announced the Northern Regulatory Improvement Initiative to improve the current regulatory regime in the north of Canada and formally embarked on a review of environmental regulatory systems throughout the North.

In May 2010 the Federal Government announced an Action Plan to improve northern regulatory regimes, which anticipated changes to the current legislative framework and regulatory processes. This process, which included negotiations with the Government of the Northwest Territories and various Aboriginal Governments in the context of NWT devolution, led to several changes to the MVRMA, including creation of the Superboard, the effect of which would be to collapse the functions of the Wek'eezhii Land and Water Board ("**WLWB**"), the Sahtu Land and Water Board, and the Gwich'in Land and Water Board into one single land and water board, or "Superboard" - the Mackenzie Valley Land and Water Board.

Creation of the Mackenzie Valley "Superboard" was contemplated in the amendments to the MVRMA contained in the *Northwest Territories Devolution Act* 2014, The Superboard legislation was to take effect on April 1, 2015. The Tlicho Government objected on the grounds that the Tlicho Agreement expressly requires the establishment of the WLWB. The Tlicho further said that they were not consulted on the amendments. Canada maintained that the legislation is necessary to increase efficiency in the regulatory process. As a result of this disagreement, the Tlicho Government commenced an action against the Federal Government in May 2014, seeking among other things a declaration that Superboard legislation is unconstitutional, as well as an injunction preventing the Superboard legislation from taking effect until the constitutionality of the Superboard can be determined. The Supreme Court of the Northwest Territories granted an injunction to the Tlicho Government suspending the implementation of the "Superboard" legislation and the Federal Government appealed the decision. In December 2015 the new Liberal Government announced the suspension of the appeal. It is expected that the Liberal Government will introduce legislation further amending the MVRMA to remove the "Superboard" and re-establish the original regional water boards.

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.

A key feature of devolution was the establishment of an Intergovernmental Council which was established by the *Northwest Territories Intergovernmental Agreement on Lands and Resources Management* signed between the

Government of the Northwest Territories (GNWT), Inuvialuit Regional Corporation, Northwest Territory Métis Nation, Sahtu Secretariat Incorporated, Gwich'in Tribal Council and the Tłı̨chǫ Government as part of the Devolution Agreement which came into effect on April 1, 2014. The Intergovernmental Agreement allows for other Aboriginal organizations to become a party and the GNWT is continuing discussions with the Dehcho First Nations and the Akaıtcho Territory Dene First Nations about signing onto the Devolution Agreement and becoming members of the Council.

The Intergovernmental Council allows the public and Aboriginal governments to cooperate and collaborate on matters related to lands and resource management and provides an opportunity for northern leaders to cooperate on land and resource management across jurisdictions, while respecting the autonomy and authority of each government over its own lands. The goal of the Intergovernmental Council is to work together to explore ways to coordinate their respective land and resource management practices, share capacity, and avoid duplication.

The Intergovernmental Agreement provided at section 5.1 that "The duties of the Council are to ... (c) address legislative requirements for benefit agreement requirements relating to resource development". As per the approved Intergovernmental Council's Terms of Reference, working groups may be established by the Council to address specific tasks or issues. The working groups are advisory and accountable to the Intergovernmental Council and do not have any decision-making authority. One such working group is the Impact Benefit Plans Working Group. The Impact Benefit Plans Working Group will undertake research to identify and assess potential options for the establishment of legislative requirements: a) for proponents who intend to undertake resource development activities in the NWT to enter into negotiations for benefit agreements with the affected Aboriginal groups and to conclude impact benefit agreements with affected Aboriginal groups; and b) for government to negotiate and conclude benefit agreements (e.g. socio-economic agreement) with affected Aboriginal groups.

As part of devolution the Government of the Northwest Territories also entered into the *Northwest Territories Intergovernmental Resource Revenue Sharing Agreement* with the Inuvialuit Regional Corporation, Northwest Territory Métis Nation, Sahtu Secretariat Incorporated, Gwich'in Tribal Council, and Tłı̨chǫ Government. The Resource Revenue Sharing agreement sets out terms and conditions for the sharing of resource revenues from public lands in the NWT among the GNWT and Aboriginal government signatories to the Devolution Agreement. The GNWT has committed to share up to 25% of its resource revenues with these Aboriginal governments.

The Government of the Northwest Territories (GNWT) is developing a new NWT *Mineral Resources Act* (MRA) intended to meet the unique needs of the NWT; increase investment in the exploration and mining sector; promote a sustainable and diversified economy; respect the rights and traditions of Indigenous peoples; protect the natural environment; provide benefits from mineral resources to the NWT; and enhance public geoscience knowledge of the NWT. The GNWT is considering making it a legal requirement under the proposed Mineral Resources Act for proponents who intend to undertake resource development activities in the NWT to enter into impact benefit agreements with affected Aboriginal groups.

Canadian Zinc is not able to predict future government actions or determine the impact, if any, on its business or operations if the Dehcho First Nations sign on to the Devolution Agreement and becoming members of the Intergovernmental Council, or if the proposed NWT Minerals Resources Act is enacted. 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. 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.

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.

On January 18, 2018, the Minister of Crown Indigenous Relations and Northern Affairs Canada, invoked a two-month extension to the timeline for the Minister's decision on the Report of Environmental Assessment for the

Prairie Creek All Season Road, originally due by February 12, 2018, to allow the federal and territorial governments to complete aboriginal consultations.

In connection with such consultations on January 19, 2018, Indian and Northern Affairs Canada provided Canadian Zinc with five information requests, identifying specific issues raised by Indigenous groups that need further clarity through proponent engagement, so the Responsible Ministers can be confident that the Crown has discharged its legal duty to consult by meaningfully and completely consulting with impacted Indigenous groups.

INAC has requested Canadian Zinc to engage the Nahanni Butte Dene Band, Liidlii Kue First Nation and the Dehcho First Nations, as recommended by the Review Board, to gain an understanding of the Indigenous groups' concerns, discuss and determine how the Indigenous groups will be included in monitoring and discuss the Indigenous groups' requests for support to participate in implementation of the measures recommended by the Review Board and the commitments made by Canadian Zinc in the environmental assessment process.

In 2016, the Government of Canada announced the introduction of a national pan-Canadian framework that includes a national floor price on carbon which, if implemented, will increase the cost of power supply to the Company's projects. Canadian provinces and territories will be given until 2018 to implement a carbon pricing policy, starting with a minimum price of \$10 per tonne in 2018, increasing \$10 per year to \$50 per tonne by 2022.

In 2012, Environment Canada initiated a 10-year review process of the Metal Mining Effluent Regulations. Environment Canada proposes to establish BATEA based (best available technology economically achievable) effluent limits as a means to promote continuous improvement in the sector. On May 13, 2017, the proposed Regulations Amending the Metal Mining Effluent Regulations, were published in Canada Gazette Part 1. The proposed Amendments would impose more stringent limits for arsenic, copper, cyanide, lead, nickel, and zinc, as well as introduce limits for un-ionized ammonia. Several amendments are proposed to improve the efficiency of the environmental effects monitoring performance measurement and evaluation requirements. The proposed Amendments would require that mine effluent not be acutely lethal to *Daphnia magna* whereby a first acute lethality failure for *Daphnia magna* would not result in a loss of the authority to deposit, while subsequent failures would. The proposed Amendments would come into force on the day on which they are registered, which is expected to take place in 2018.

In February 2018, the Government of Canada tabled Bills C-68 and C-69 in Parliament that if enacted will replace the *Canadian Environmental Assessment Act* 2012 with an Impact Assessment Act and amend the *Fisheries Act* and the *Navigation Protection Act* (becoming the Canadian Navigable Waters Act). Although the Canadian Environmental Assessment Act does not impact the Prairie Creek Project, as the legislative and regulatory framework and regulations in the Mackenzie Valley are governed by the *Mackenzie Valley Resource Management Act*, the proposed new legislation is reflective of current federal government policies and may lead to changes in the *Mackenzie Valley Resource Management Act*. The key changes proposed to the environmental and regulatory system include shifting from environmental assessment to impact assessment which would look at all of a project's impacts, including environmental, health, social and economic impacts. The proposed legislation is intended to provide more transparency and certainty that decisions would be based on robust science, evidence and Indigenous traditional knowledge, more and earlier opportunities for meaningful participation by Indigenous peoples and more Indigenous leadership of and partnership in project review.

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.

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

Mineral exploration involves a high degree of risk.

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

There is 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

The Company is not insured to cover all potential 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

Title to the Company's mineral properties may be challenged or defective. Aboriginal groups may raise title disputes in relation to land claims and any impairment or defect in title could have a negative impact on the Company.

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

The Company is dependent on certain key executives and the loss of these executives may adversely affect our business and results of operations.

Canadian Zinc is dependent on the services of key executives, including its President and Chief Executive Officer, the 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 resource industry is very competitive.

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.

Disclosure Controls and Procedures

The Company is subject to Canadian regulations regarding internal controls over financial reporting and there are no assurances that the Company will be able to continue to comply with these heightened regulatory requirements.

Since 2007, the Company has documented and tested its internal control procedures in order to satisfy the requirements of Canadian National Instrument 52-109, which requires an annual assessment by management of the effectiveness of the Company's internal control 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. The Company's inability to satisfy the requirements Canadian regulatory requirements 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 Canadian regulatory requirement for disclosure controls and procedures.

Information Technology Systems Disruption

The Company relies on information technology systems and networks in the operation of its business. The Company could be materially and adversely affected in the event that its information technology systems or networks are compromised. This information technology infrastructure may be subject to security breaches or other cybersecurity incidents, or may be compromised by natural disasters or defects in software or hardware systems. The consequences of the Company's information technology systems being compromised include material and adverse impacts on the Company's financial condition, operations, production, and reputation.

Climate Change

Experience in recent years would indicate that Winter seasons in the north of Canada have been getting somewhat shorter and a little warmer. The Company identified some climate change risks from reliance on a winter-only access road and with a large volume of concentrates to transport out from, and supplies to bring in to, the Prairie Creek mine site, so the decision was taken to propose construction and operation of an All Season Road. Constructing and operating the All Season Road could be impacted by potential climate change. Natural thaw of discontinuous permafrost could lead to soil instability and potentially slope failures and ongoing road maintenance may be required to address zones of thaw and settlement, as well as local soil movement or erosion.

Extreme weather events (such as increased frequency or intensity of storms, increased snow pack, or unusually warm or shorter winter seasons) have the potential to disrupt operations at the Company's projects. Extended disruption to road access due to extreme weather could delay or increase the cost of construction or operation of the Company's projects, or otherwise adversely affect the Company's business.

History of Losses and No Assurance of Profitable Operations

The Company has a history of losses and no assurance of profitable operations.

The Company has incurred cumulative losses since inception of \$125,666,000 through December 31, 2017, which includes \$84,050,000 of exploration and development expenditures on the Prairie Creek Property and \$7,348,000 on the central Newfoundland properties all of which has 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

The exercise of outstanding options and warrants would lead to dilution of current shareholders.

As of December 31, 2017, there were 266,111,543 common shares outstanding. As of December 31, 2017, the Company had 5,200,000 share purchase options and 2,448,000 warrants outstanding allowing the holders to purchase 7,648,000 common shares. Directors and officers of the Company hold 3,750,000 of these share purchase options, contractors and employees of the Company hold 1,450,000 share purchase options and third-party entities hold 2,448,000 share purchase warrants. In addition, 6,673,844 restricted or deferred share units are outstanding allowing the holders to receive an equal amount of common shares upon payout. Directors and

officers of the company hold 5,773,844 of these share units with the balance being held by contractors and employees of the Company.

As of March 28, 2018, there were 266,111,543 common shares outstanding and the Company had 5,200,000 share purchase options, 2,448,000 warrants and 8,973,844 share units outstanding. The exercise or payout of all of the existing share purchase options, warrants and share units would result in a percentage ownership dilution to the existing shareholders.

Potential Future Equity Financings

Additional financing may be needed for our business operations which may lead to dilution of the Company's current shareholders.

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.

Enforcement of Foreign Judgments

The Company is a foreign corporation and all of the Company's directors and officers are outside of the United States, which may make enforcement of civil liabilities difficult.

Canadian Zinc is organized under the law of, and headquartered in, British Columbia, Canada, and none of its directors and officers are citizens or residents of the United States. In addition, all of its assets are located outside the United States. As a result, it may be difficult or impossible for an investor to (i) enforce in courts outside the United States judgments against the Company and its directors and officers obtained in United States courts based upon the civil liability provisions of United States federal securities law or (ii) bring in courts outside the United States an original action against the Company and/or its directors and officers to enforce liabilities based upon such United States securities laws.

Foreign Private Issuer Status

As a foreign private issuer, the Company's shareholders may have less complete and timely data.

The Company is a "foreign private issuer" as defined in Rule 3b-4 under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3 of the Exchange Act. Therefore, the Company is not required to file a Schedule 14A proxy statement in relation to the annual meeting of shareholders. The submission of proxy and annual meeting of shareholder information on Form 6-K may result in shareholders having less complete and timely information in connection with shareholder actions. The exemption from Section 16 rules regarding reports of beneficial ownership and purchases and sales of common shares by insiders and restrictions on insider trading in the Company's securities may result in shareholders having less data and there being fewer restrictions on insiders' activities in the Company's securities.

U.S. Tax Matters

The Company's Passive Foreign Investment Company status has possible adverse tax consequences for U.S. investors.

Because the Company is an exploration stage company and its only material revenues consist of passive investment income on its cash investments, U.S. shareholders of common shares should be aware that the Company believes it was classified as a passive foreign investment company (“**PFIC**”) during the tax year ended December 31, 2017, and based on current business plans and financial expectations, the Company anticipates that it may be a PFIC for the current tax year and may be a PFIC in future tax years. If the Company is a PFIC for any year during a U.S. shareholder’s holding period of the common shares, then such U.S. shareholder generally will be required to treat any gain realized upon a disposition of common shares, or any “excess distribution” received on its common shares, as ordinary income, and to pay an interest charge on a portion of such gain or distribution, unless the shareholder makes a timely and effective “qualified electing fund” election (“**QEF Election**”) or a “mark-to-market” election with respect to the common shares. A U.S. shareholder who makes a QEF Election generally must report on a current basis its share of the Company’s net capital gain and ordinary earnings for any year in which the Company is a PFIC, whether or not the Company distributes any amounts to its shareholders. However, U.S. shareholders should be aware that there can be no assurance that the Company will satisfy the record keeping requirements that apply to a qualified electing fund, or that the Company will supply U.S. shareholders with information that such U.S. shareholders require to report under the QEF Election rules, in the event that the Company is a PFIC and a U.S. shareholder wishes to make a QEF Election. Thus, U.S. shareholders may not be able to make a QEF Election with respect to their common shares. A U.S. shareholder who makes a mark-to-market election generally must include as ordinary income each year the excess of the fair market value of the common shares over the taxpayer’s adjusted tax basis therein. This paragraph is qualified in its entirety by the discussion below under the heading “Certain United States Federal Income Tax Consequences.” Each U.S. shareholder should consult its own tax advisors regarding the PFIC rules and the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares.

Penny Stock Rules

The Company’s securities may be subject to penny stock regulations.

The SEC has adopted Rule 15c-9 which generally defines “penny stock” to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. The penny stock rules impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and “accredited investors.” The term “accredited investor” refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC, which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer’s account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer’s confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade the Company’s securities.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

The Company was incorporated in British Columbia, Canada, on December 16, 1965 under the former Companies Act of British Columbia. The Company changed its name to “San Andreas Resources Corporation” on August 29, 1991 and to “Canadian Zinc Corporation” on May 25, 1999. The Company currently exists under the Business Corporations Act (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 then new Business Corporations Act (British Columbia).

The Company's head office, which is also its registered and records office, is located at Suite 1710, 650 West Georgia Street, Vancouver, British Columbia, Canada V6B 4N9.

The Company's shareholders passed a resolution to amend the Company's authorized share capital from 50,000,000 common shares with no par value to 100,000,000 common shares with no par value on May 24, 2002 and from 100,000,000 common shares with no par value to 200,000,000 common shares with no par value on December 30, 2003. On June 16, 2004, shareholders passed a resolution to change the authorized share capital to an unlimited number of common shares with no par value.

Canadian Zinc is a public company listed on the Toronto Stock Exchange under the symbol "CZN" and traded on the OTCQB under the symbol "CZICF" and is engaged in the business of exploration and, when warranted, development of natural resource properties.

General Development of the Business

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 Property is subject to a 1.2% net smelter return royalty ("**NSR**").

The Prairie Creek Mine contains NI 43-101 Proven and Probable Reserves of 8.1 million tonnes grading 8.6% Zn; 8.1% Pb and 124 g/t Ag, which ranks Prairie Creek amongst the highest grade base metal deposits in the world. These reserves are based upon a Measured and Indicated Resource of 8.7 million tonnes grading 9.5% Zn; 8.9% Pb and 136 g/t Ag, and represent an initial mine life of 15 years.

Prairie Creek also hosts an additional Inferred Mineral Resource of 7.0 million tonnes grading 11.3% Zn, 7.7% Pb, and 166 g/t Ag, which has the potential, through further exploration and development, to be upgraded to Measured or Indicated Mineral Resources and increase the initial 15-year mine life.

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.

The environmental assessment of the Company's permit application for use of the mine access road on an all season basis was completed by the Review Board and a *Report of Environmental Assessment and Reasons for Decision* was submitted to the Minister of Crown-Indigenous Relations and Northern Affairs in September 2017 with a recommendation that the project be approved.

The 2017 Feasibility Study ("**2017 FS**") was completed in September (Technical Report filed on SEDAR October 31, 2017). The results of the 2017 FS indicate notable improvements compared to the Preliminary Feasibility Study completed in 2016 ("**2016 PFS**") and confirm that the Prairie Creek Mine can support a significant increase in the mining rate and mill throughput that will enable production of higher quantities of zinc, lead and silver, and at lower operating cost as compared to the mine plan presented in the 2016 PFS.

The 2017 FS indicates a higher mining rate with a 25% increase in mill throughput and lower operating costs with only a moderate increase in capital costs as compared to previous studies. The mine life of 15 years results in \$3 billion in net revenue and \$1.3 billion in earnings before interest, taxes, depreciation and amortization ("**EBITDA**") over the life of the mine and pre-tax Net Present Value ("**NPV**") of \$344 million, using an 8% discount rate, with an Internal Rate of Return ("**IRR**") of 24% (post-tax NPV of \$188 million and an IRR of 18%) and using base case metal price forecasts of US\$1.10 per pound for zinc, US\$1.00 per pound for lead and US\$19.00 per ounce for silver with a foreign exchange rate of CA\$1.25=US\$1.00.

The 2017 FS indicates average annual production over the first 10 years of 64,800 tonnes of zinc concentrate and 71,600 tonnes of lead concentrate containing a total of 95 million pounds of zinc, 105 million pounds of lead and

2.1 million ounces of silver in both zinc and lead concentrates. Pre-production capital costs, including provision for a new All Season Road, are estimated at \$279 million, including contingency, with payback of less than five years.

The development of the Prairie Creek Mine will offer significant economic advantages on a wider scale. There is broad support among Aboriginal organizations and communities in the Dehcho region for the direct benefit and economic stimulus that the mine would bring to this region of the Northwest Territories. The envisaged operation of the Prairie Creek Mine presents a significant opportunity for potential enhancement of the social and economic well-being of the surrounding communities.

The 2017 FS estimates that during construction there will be approximately 211 jobs, and during operations approximately 330 direct full-time jobs over the life of the mine. In addition, the Prairie Creek Project offers other potential indirect business and employment opportunities, related to transport, supply of the mine site and environmental management and monitoring.

Using the completed 2017 FS, the Company is working with HCF International Advisers ("**HCF**") as financial advisers to facilitate the raising of project debt financing of up to 70% of the capital expenditures required for the Prairie Creek Mine.

The 2017 FS contemplated commencement of project construction with a winter road in early 2018 and with mill start-up projected for August 2020. The mine construction and start-up schedule are significantly influenced by the seasonal weather conditions in the Northwest Territories and without a winter road in 2018 a revised project schedule has now been compiled with a three-year pre-production and construction period and a production start-up target date of August 2021.

Specific programs aimed at further de-risking the Prairie Creek project are planned for 2018, including detailed engineering and design of the mine facilities, rehabilitation of equipment and accommodations, hydrological investigations, initial site/underground preparation and procurement of long-lead-time items. The second year of the project schedule, supported by a winter road in early 2019, will include camp and mill refurbishment, geotechnical programs leading to further design of the All Season Road, underground development from existing workings and construction of key surface infrastructure items. Construction of the All Season Road is now planned to commence from a winter road in early 2020 and continue throughout 2020 and into 2021, in parallel with continuous and ongoing site construction and mine development, leading to commissioning/plant start-up in early 2021, with the target of achieving commercial production in August 2021.

Canadian Zinc also 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.

During 2017, the Company conducted drill programs on the South Tally Pond and Tulks South projects totaling 24,693 metres in 89 drillholes.

At South Tally Pond, 56 drillholes and 3 drillhole extensions totaling 15,264 metres were completed at the Lemarchant deposit. This included 11 drillholes for 2,842 metres at the Lemarchant North and South target areas. In addition, a thirteen-hole program totaling 3,559 metres was completed to test the Lost Pond prospect and a three-hole program totaling 909 metres was completed to test the Lake Ambrose West prospect. At Tulks South, 14 drillholes totaling 4,961 metres were drilled to expand the Boomerang-Domino deposit and test three priority target areas located up to 2.0 km along strike of the Boomerang-Domino deposit.

The 2017 drill programs in central Newfoundland were successful, and considered very encouraging, in that the drilling extended the Lemarchant deposit mineralization up-dip and along strike, and drilling at the Boomerang-Domino deposit extended the mineralization up-dip.

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 or

Duck Pond, or a number of smaller deposits that could be developed simultaneously and processed in a central milling facility.

Three Year History

Throughout the years 2015, 2016 and 2017, the Company's principal focus has been on its efforts to advance the Prairie Creek Project towards completion of development and subsequent production.

New Resource Estimate

During 2014, the Company engaged AMC Mining Consultants ("**AMC**") to undertake an underground optimization study of the mine with a view to reducing the initial cost of mine development, improving the mining methods, minimize mine operating costs and incorporate results of recent exploration drilling programs into an updated mineral resource estimate. AMC also undertook a number of underground mine studies, including a geotechnical assessment to determine the optimum mining methods for use in the design of the new mine plan. Underground ventilation and backfill studies were also completed.

In October 2014, the Company awarded an underground exploration and development program to Procon Mining and Tunneling Ltd. ("**Procon**") and undertook the first stage of the program that included dewatering and re-installation of electrical and ventilation services to the 650 metre-long decline tunnel located at the end of the 870m underground level.

An updated mineral resource estimate, completed by AMC in March 2015 demonstrated an increase in overall resource tonnages in the Indicated and the Inferred categories. The resource estimate was based on a newly constructed and revised and more detailed geological wireframe block model, developed over the previous year, which defines and constrains the mineralized system for inclusion in the new mine plan. The March 2015 resource estimate also included results from additional drilling and underground sampling not included in previous estimates.

In 2015, Canadian Zinc carried out an underground exploration diamond drill program at the Prairie Creek Mine totaling 5,484 metres of diamond drill coring in 21 drillholes. The drill program was completed in July 2015.

The results of the 2015 underground exploration drilling program are considered very positive, with all holes intercepting the Massive Quartz Vein ("**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 were both achieved.

Following completion of the 2015 underground exploration program a new mineral resource estimate was completed by AMC 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 September 2015 Prairie Creek mineral resource estimate was completed by AMC [Gregory Z. Mosher P. Geo., Qualified Persons as defined by NI 43-101]. AMC also completed the previous mineral resource estimates in 2012 and March 2015.

Concentrate Sale Arrangements

In March 2016, Canadian Zinc announced it had signed agreements with Korea Zinc and Boliden for the sale of zinc and lead concentrates. These offtake arrangements with two of the pre-eminent smelting companies in the world, confirm the marketability of Prairie Creek's zinc and lead concentrates.

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.

2016 Preliminary Feasibility Study

In March 2016, the 2016 PFS was completed by AMC and Tetra Tech Inc. A new Technical Report entitled *Prairie Creek Property Prefeasibility Update NI 43-101 Technical Report with an effective date of March 31, 2016* was compiled in accordance with NI 43-101, subsequently amended and restated on September 30, 2016, to disclose the results of the 2016 PFS and was filed on SEDAR and EDGAR.

Definitive Feasibility Study

Discussions held with financial institutions throughout 2016, confirmed that the opportunity of raising project debt financing to complete the development and construction of the Prairie Creek Project would be enhanced by a Definitive Feasibility Study (“**DFS**”).

In January 2017, the Company engaged AMC and Ausenco Engineering Canada Inc. (“**Ausenco**”) to complete a DFS to support the debt financing of the Project. This comprehensive study was designed to address all geological, engineering, operating, economic, environmental and other relevant factors in the required detail to serve as the basis and support for a financial institution to finance the development of the Project to production.

AMC, an industry leader in mine engineering services and support for large-scale development projects and operating mines, was previously involved in the 2016 PFS for the Prairie Creek Mine. AMC was tasked with further detailing the underground aspects of the proposed operation including further optimization of the mineplan, and definition of the associated operating and capital costs to a DFS level.

Ausenco is a diversified engineering and project management company providing services to the global resource and energy sectors. The Company has built its business and reputation for delivering new and better ways to add value to client's projects, and in some of the world's most challenging environments. Ausenco has engineering services based in the Vancouver area, has the relevant experience and expertise, including northern design and project execution at brownfield sites, required to prepare a project execution plan that defines the approach to constructing the Prairie Creek Project. Ausenco was assigned responsibility for all the physical areas of the surface facilities and for contributions to the overall DFS and NI 43-101 report including the process plant and buildings and all surface infrastructure and ancillaries.

Ausenco assessed all surface infrastructure needs to bring the Project into operation and undertake project development/execution planning services for the Prairie Creek Mine and optimized the project development plan to be used to advance the project to production.

Ausenco completed required engineering utilizing a cost-effective project design methodology to support the development of a high-level project execution plan which focused on making the best possible use of existing infrastructure and construction materials on site so as to provide a lower cost or faster time-frame to production for the project. This included the development of a contracting and procurement strategy for further stages of work, which aligns with the project execution schedule and served to support the capital cost estimate and identified execution risks and opportunities. The plan was developed with the objective of converting it to an Engineering Procurement and Construction Management (“**EPCM**”) contract at the appropriate time.

The 2017 FS was completed in September and supersedes the 2016 PFS. A new Technical Report entitled “*Prairie Creek Property Feasibility Study NI 43-101 Technical Report*” effective September 28, 2017, which provides the results of the 2017 FS, was prepared by AMC, with contributions by Ausenco, Global Mineral Resource Services Ltd., Allnorth Consultants Limited and F. Wright Consulting Inc., was filed on SEDAR and EDGAR on October 31, 2017 and supersedes the March 31, 2016 Technical Report (subsequently amended and restated September 30, 2016).

The results of the 2017 FS indicated notable improvements compared to the 2016 PFS and confirm that the Prairie Creek Mine can support a significant increase in the mining rate and mill throughput that will enable production of

higher quantities of zinc, lead and silver, and at lower operating cost as compared to the mine plan presented in the 2016 PFS.

AMC concludes that the Prairie Creek Mine is shown to be a viable project, based on the mineral reserves, mine plan, production and economic parameters determined within the 2017 FS.

AMC recommends that Canadian Zinc advance the Project to the next stage, which will include; detailed design and planning of the required services, construction of the All Season Road, refurbishment of the mill, ordering the long-lead equipment for power generation, portal refurbishment, access widening, and development of ramp declines in preparation for ore production and processing.

The 2017 FS contemplates commencement of project construction in early 2018, with mill start-up projected for August 2020, following a two-year pre-production period during which detailed engineering, mill and camp refurbishment, underground development from existing workings, and construction of key surface infrastructure items, including the All Season Road, will take place.

Feasibility Study Highlights

Optimization work completed as part of the 2017 FS has led to improvements, compared with the plan contained in the 2016 PFS, in many aspects of the Prairie Creek Mine with only a modest increase in the capital cost. Among these are:

- Increased mining rate (+18.5% to 1,600 tonnes per day).
- Increased mill throughput after DMS processing (+25% to 1,200 tonnes per day).
- Lower operating cost (-2.6% to \$223 per tonne mined, including transport).
- Increased Mineral Reserve tonnage (+6.2% to 8.1 million tonnes).

The 2017 FS Mine Plan covers a 15-year Life of Mine (“**LOM**”) from mill start-up with a particular focus on optimizing the LOM grade profile. During the first 10 years of production, the expanded mill throughput results in the following as compared to the 2016 PFS:

- Higher average annual metal production (zinc 95M lbs. and lead 105M lbs.).
- Average annual total contained lead in both zinc and lead concentrates is 105 million pounds per year, an increase of 23 million pounds, while the average annual production of silver is also increased 25% to 2.1 million ounces per year.
- Average annual total contained zinc in both zinc and lead concentrates increased by approximately 7% from 82 million pounds to 88 million pounds per year.

The 2017 FS indicates many financial improvements from the 2016 PFS:

- Cumulative net revenue over the life of the mine increased by \$325 million to \$3 billion and cumulative undiscounted cash flow, pre-tax, up \$190 million to \$900 million, an increase of over 30%, at base case metal prices of zinc=US\$1.10/lb., lead=US\$1.00/lb., and silver=US\$19.00/oz.
- The pre-tax NPV, discounted at 8%, increased 21% to \$344 million, with an IRR of 23.8%, while the NPV post-tax and royalties, discounted at 8%, increased 22% to \$188 million, with an IRR of 18.4%.
- Capital cost increased by \$35 million (14%) to \$279 million, including contingency, primarily because of the expansion in mine and mill throughput and accelerated mine development.
- The post-tax payback period was reduced by five months to 4.6 years from mill start-up.

Highlights of the 2017 FS

Mine and Mill Parameters		Concentrates			
		Type	10 yr W. Avg. Tonnes	Average Grade	Payability
Total ore mined (million tonnes)	8.07	Zinc concentrate	64,800	Zinc: 59%	Zinc: 85%
Mining rate (tonnes/day)	1,600			Silver: 136 g/t ³	Silver: 70%
Milling rate (tonnes/day) post-DMS	1,200	Lead concentrate	71,600	Lead: 62%	Lead: 95%
LOM (years)	15			Silver: 800 g/t	Silver: 95%
Mine and Mill Statistics					
Metal	10 yr Ore Grade (Weighted Average)	Ore Grade LOM (Weighted Avg.)	Mill Recoveries LOM (Weighted Average)	10 yr Average Annual Contained Metal	
Zinc	8.50%	8.70%	83%	95M lbs ⁴	
Lead	9.30%	8.10%	88%	105M lbs ⁴	
Silver	139 g/t	124 g/t	87%	2.1M oz ⁴	
Project Assumptions Base Case					
Zinc price	US\$1.10/lb US\$1.00/lb US\$19.00/oz	Treatment Charges	Exchange Rate	\$1.25CDN:\$1.00US	
Lead price		US\$172/tonne Zn Con	Discount Rate	8%	
Silver price		US\$130/tonne Pb Con			
Operating and Capital Costs					
Operating Costs ²	LOM \$/t ore mined	Capital Costs		\$M	
Mining	58	Pre-production capital		253	
Processing	47	Contingency		26	
Site Services	19	Total Pre-production Capital		279	
G&A	30	Sustaining Capital		117	
Total On-site Costs	154	Working Capital		36	
Transportation ¹	69				
Total Operating Costs ²	223				
¹ Includes truck, rail, handling and ocean shipping		³ Subject to a deduction of 3 oz. per tonne of concentrate			
² Does not include treatment, refining charges, royalty		⁴ Total metal contained in both lead and zinc concentrates			
Economic Results (LOM)			Pre-tax	Post-tax	
Cash Flow Undiscounted (\$M)			899	562	
NPV @ 8% (\$M)			344	188	
NPV @ 5% (\$M)			497	291	
IRR (%)			23.8	18.4	
Payback period (years from first revenue)			4.4	4.6	
Average annual EBITDA (\$M)			81		

Financial Analysis Summary

The 2017 FS indicates a base case Pre-Tax NPV of \$344 million using an 8% discount rate, with an IRR of 23.8% and a post-tax NPV of \$188 million with a post-tax IRR of 18.4%. The Base Case metal price assumptions used in the model are: Zn US\$1.10/lb., Pb US\$1.00/lb., Ag US\$19.00/oz., with a foreign exchange rate of CA\$1.25=US\$1.00.

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, at a Canadian/US dollar exchange rate of CA\$1.25=US\$1.00, except where noted. 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.

Economic Sensitivities of the Prairie Creek Project

Metal Prices		Pre-Tax				Post-Tax ¹			
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	139	10	(39)	5.5	75	(29)	(68)	3.3
0.90	18.00	452	211	120	14.4	282	109	43	10.6
1.10/1.00	19.00	899	497	344	23.8	562	291	188	18.4
1.20/1.00	19.00	1,033	582	410	26.2	644	344	230	20.4
1.10	20.00	1,077	614	437	27.3	671	364	247	21.3
1.20	21.00	1,390	815	596	32.7	863	489	346	25.7
1.30	22.00	1,703	1,017	755	37.7	1,053	612	444	29.8
1.10/1.00 ²	19.00 ²	1,208	696	501	29.5	752	416	287	23.1
1.20/1.00 ²	19.00 ²	1,355	789	574	31.9	842	473	332	25.0

1. Post-tax results include all taxes, royalties, aboriginal participation costs and the Sandstorm 1.2% NSR.

2. Foreign exchange assumed to be CA\$1.375:US\$1.00 on these lines.

Using the base case metal prices and exchange rate of CA\$1.35=US\$1.00 would increase the pre-tax NPV 8% to \$500 million and the IRR to 29.5%. Using a zinc price of US\$1.20 per lb., with all other base case inputs and a foreign exchange rate of CA\$1.25=US\$1.00 would increase the pre-tax NPV 8% to \$410 million and the IRR to 26.2%. Using a zinc price of US\$1.20 per lb., with all other base case inputs and a foreign exchange rate of CA\$1.375=US\$1.00 would increase the pre-tax NPV 8% to \$574 million and the IRR to 31.9%.

During the first 10 full years of concentrate production the 2017 FS forecasts average annual production of approximately 65,000 tonnes of zinc concentrate and 72,000 tonnes of lead concentrate, containing an average of approximately 95 million pounds of zinc, 105 million pounds of lead and 2.1 million ounces of silver.

The 2017 FS indicates average annual EBITDA during the first 10 full years of \$111 million per year and cumulative EBITDA of \$1,294 million over the projected LOM of 15 years, using base case metal price forecasts.

The Economic Model used in the 2017 FS has been prepared assuming average blended indicative treatment charges of US\$172 per tonne for zinc sulphide concentrates and US\$130 per tonne for lead concentrates, both substantially higher than the current spot treatment charges, with industry standard penalties, including mercury penalties of US\$1.75 for each 100 ppm above 100 ppm per tonne of concentrate.

Key Variances Between 2017 FS and 2016 PFS

	2017 FS Base	2016 PFS	Variance
Economic Valuations			
Pre-Tax NPV (CAD \$M)	344.5	284.3	60.2
Pre-Tax IRR (%)	23.8	22.5	1.3
Pre-Tax Payback Period (years)	4.4	4.0	0.4
Post-Tax NPV (CAD \$M)	188.3	154.8	33.5
Post-Tax IRR (%)	18.4	17.9	0.5
Post-Tax Payback Period (years)	4.6	5.0	(0.4)
Key Assumptions Base Case			
Discount rate (%)	8.0	8.0	-
Lead (US\$/lb)	1.00	1.00	-
Silver (US\$/oz)	19.00	19.00	-
Zinc (US\$/lb)	1.10	1.00	0.10
Lead treatment charge - \$/tonne	130.00	195.00	(65.00)
Zinc treatment charge - \$/tonne	172.00	212.00	(40.00)
Exchange rate (US\$/CAD\$)	1.25	1.25	-
Life of Mine Inputs and Outputs (CAD \$M)			
Capital expenditures	278.9	243.6	35.3
Sustaining capital costs	117.0	70.4	46.6
Gross revenue	3,977.9	3,733.3	244.6
Smelter costs	886.9	968.2	(81.3)
Net revenue	3,091.0	2,765.1	325.9
Operating costs including transportation	1,796.6	1,740.7	55.9
Pre-tax cash flow	898.5	710.4	188.1
Taxes and royalties	336.1	279.4	56.7
Net project cash flow after-tax and royalties	562.4	431.0	131.4
Working capital	36.1	32.8	3.3
Life of Mine Production Statistics			
Ore Mined - kt	8,071.5	7,603.6	467.9
Lead con - dmkt	924.2	865.9	58.3
Zinc con - dmkt	975.4	957.9	17.5
Life of Mine Metrics (CAD \$/tonne ore/ average)			
Gross revenue	492.83	490.99	1.84
Mining costs	58.23	78.58	(20.35)
Milling and processing	46.76	40.75	6.01
General and administrative	30.32	22.58	7.74
Site services	18.55	21.96	(3.41)
Total operating costs	153.86	163.87	(10.01)
Transportation costs	68.73	65.05	3.68
Smelter costs	109.88	127.34	(17.46)
Operating profit	160.36	134.73	25.63
Taxes and royalties	41.64	36.75	4.89
Income before depreciation and amortization	118.72	97.98	20.74

Pre-production Capital Costs, including provision for construction of a new All Season Road, are estimated at \$253 million, with a contingency of \$26 million for a total of \$279 million, and with post-tax payback of 4.6 years from commencement of concentrate production.

The \$35 million increase in Pre-production capital costs compared to the 2016 PFS is largely attributable to a longer construction period, earlier mine dewatering, earlier and larger ramp and mine development, new paste stockpile building, additional mill equipment, extended mill building for lead oxide circuit, with EPCM and other timing differences.

The \$46 million increase in sustaining capital costs is largely attributable to increased mine development, purchase of contractor handover mining equipment, maintenance of All Season Road and timing differences.

Operational Differences Between 2017 FS and 2016 PFS

Discipline	Detail	2017 FS	2016 PFS
MINING	Mineral Reserve (t)	8,071,463	7,603,590
	Underground development (m)	52,012	49,362
	Mine dewatering	Dewatering starts prior to mining	Dewatering as mining progresses
	Access to sulphide ore	Higher sulphide in early feed	Higher oxide in early feed
	Annual Rate (t/yr)	584,000	470,000
	LOM (years)	14.5	16.0
PROCESSING	Milling rate (post-DMS) tpd	1,200	960
	Nominal Rate DMS Plant (t/h)	67	58
	Process grinding	80% passing 156 µm	80% passing 80 µm
	Pb flotation	Grind/regrind mill	Grind mill
	Total LOM Concentrate Production (dmt)	1,899,544	1,823,787
SUPPORT SERVICES	Energy supply	LNG/diesel	Diesel
	Power Running Load (MW)	6.5	5.3
	Power Scheme	Turnkey	Build/operate
	Power cost (\$/kWh)	0.25	0.21
	Construction Schedule (years)	2.5	3.0
TRANSPORT	Transport Logistics	20t containers site to port	Bulk truck, transfer to rail
	Load-out facilities	Containers and small facility	Bagging and large warehouse
	Permitting	EA approved from MVRB	EA in process
	Road Construction schedule (years)	2.5	3.0

Mineral Reserve Estimate

The 2017 FS has a new Mineral Reserve estimate of 8.1 million tonnes of Proven and Probable Reserves at a combined grade of 16.75% Pb and Zn plus 124 g/t Ag, which represents a 6% increase in Reserve tonnage compared to the 2016 PFS.

The increase is due to marginally lower Zinc equivalent cutoff grades, reflecting the final 2016 PFS operating cost estimate, a small increase in projected Zn prices and further optimization of the stoping design. The 2017 Mineral Reserves have slightly lower average metal grades than those estimated in the 2016 PFS, but increased overall metal content. The estimation of Mineral Reserves by AMC is shown below.

August 2017 Mineral Reserves, Prairie Creek Mine

Mineral Zone	Classification	Tonnes (t)	Silver (g/t)	Lead (%)	Zinc (%)	ZnEq (%)
Main Quartz Vein (MQV)	Proven	1,524,171	161.43	8.90	10.22	26.84
	Probable	4,190,187	144.76	9.96	8.20	25.70
	Total	5,714,358	149.21	9.67	8.74	26.00
Stockwork (STK)	Proven	188,173	108.19	4.84	11.56	21.22
	Probable	1,188,366	63.81	3.54	6.86	13.46
	Total	1,376,539	69.88	3.72	7.50	14.52
Stratabound (SMS)	Proven	-	-	-	-	-
	Probable	980,566	54.90	5.06	9.64	17.97
	Total	980,566	54.90	5.06	9.64	17.97
TOTAL	Proven	1,712,344	155.58	8.45	10.36	26.22
	Probable	6,359,119	115.78	8.00	8.17	22.22
	Total	8,071,463	124.22	8.10	8.64	23.07

The Mineral Reserves are as of August 02, 2017, and based on a design cut-off grade of 11% ZnEq for longhole open stoping, 11% ZnEq for mechanized drift-and-fill, an incremental stoping cut-off grade of 10% ZnEq, and 6% ZnEq cut-off grade for development ore. Cut-off grades are based on a zinc metal price of \$1.00/lb, recovery of 75% and payable of 85%; a lead metal price of \$1.00/lb, recovery of 88% and payable of 95%; and a silver metal price of \$18/oz, recovery of 92% and payable of 81%. Exchange rate used is C\$1.25= US\$1.00. Average planned dilution, unplanned dilution and mining recovery factors of 13%, 11% and 95%, respectively, for LHOS; and 18%, 6% and 98%, respectively, for drift-and-fill are assumed.

The August 2017 Prairie Creek Mineral Reserve estimate was prepared by H. A. Smith, P. Eng., Qualified Person, as defined by NI 43-101 of AMC Mining Consultants (Canada) Ltd.

These Mineral Reserves are based upon a Measured and Indicated Resource of 8.7 million tonnes grading 9.5% Zn; 8.9% Pb and 136 g/t Ag, and represent an initial mine life of 15 years.

Prairie Creek also hosts an additional Inferred Mineral Resource of 7.0 million tonnes grading 11.3% Zn, 7.7% Pb, and 166 g/t Ag, which has the potential, through further exploration and development, to be upgraded to Measured or Indicated Mineral Resources and increase the initial 15 year mine life.

Mining

The Prairie Creek Mine will be an underground operation, based primarily on the MQV and mining an average of 1,600 tonnes per day over a 15-year mine life. During full production, approximately 584,000 tonnes of ore per year will be mined.

Adits were previously driven on three levels: the 970m level, the 930m level and the 883m level, totalling approximately 5 km of underground workings. Access for mining will be through an enlarged 883 m level portal and adit with secondary access through the 930m level. The 970m level penetrates the topmost limits of the MQV only and is not part of the current mine plan. As mining progresses to depth, ore from the MQV will be supplemented by ore from the deeper Stratabound Massive Sulphide (“SMS”) deposit, both deposits being accessed by a common ramp development.

Mining will be by longhole open stoping (“LHOS”) with paste backfill. Mechanized drift-and-fill will be used for the SMS ore, also with paste fill. The plan and objective is to use 100% of flotation tailings as backfill.

Ground conditions in existing development underground are good and the existing workings have stood unsupported for thirty years with minimal bolting.

The new mine plan envisages slashing out of some of the existing development to establish two spiral ramps to access deeper levels. The new mine plan targets higher grade sulphide areas since these blocks have the best recovery return. The existing 883 mL adit will be enlarged to 5 x 5 m; two ramps will be driven downward from this level and one upward to access the MQV and SMS ores. Drifts will be driven on the MQV north and south from the ramp access points to the strike limits of the ore body. Stoping will begin at the ore limits and retreat to the ramp access points. Pre-production development is expected to take approximately 18 months, before stope ore becomes available as mill feed. This work will be performed by a contractor. On completion of the contracted scope of work, CZN will have the options of taking over the work itself or continuing with contract mining.

When in full production, it is estimated that the mine will produce up to 120 L/s of water. The majority of this water will be collected through pre-drainage boreholes and pumped to surface, avoiding contamination. All water discharged from the mine will either be sent to the mill as process water, pumped into the existing impoundment pond, which will be modified into a two-cell water storage pond, or directly treated in a new water treatment plant.

Power Generation Plan

The 2017 FS incorporates a non-binding indicative proposal from Northwest Territories Power Corporation to supply turnkey type power generation utilizing four new 2.77 MW dual fuel LNG/diesel powered generator units that will provide power and heat for the site.

It is proposed to utilize a turnkey type power generation as proposed by Northwest Territories Power Corporation. This proposal utilizes four new 2.77 MW dual fuel LNG/diesel powered generator units that will provide power and heat for the site. The power generator units will be located within the existing Mill powerhouse. Maximum power running load for the site is estimated at 6.4 MW. These generators will be outfitted with heat recovery systems to maximize energy efficiency. The waste heat from the generators will be used to heat the surface facilities and mine air. Heat for underground and accommodations will be generated by LNG based furnaces.

Processing

The Prairie Creek plant is planned to process the run-of-mine ("**ROM**") ore produced from the underground mine. More and better information concerning the characteristics of the ore obtained from studies conducted over the past two years has enabled the design of an enhanced mine plan, which will supply optimal feed to the process plant and provide better predictability of quantity and quality of concentrate products. The daily operating throughput will be approximately 1,600 tpd to a Dense Media Separation ("**DMS**") facility, at the front end of the mill. The DMS product will be fed to the grinding and flotation circuit at a feed rate is 1,200 tpd. The proposed process flowsheet for the Prairie Creek Project will include:

- Two stages of crushing to reduce the ROM ore to 100% passing 16 mm.
- DMS on the coarse fraction of the crushed ore to reject gangue minerals.
- One stage of grinding on the pre-concentrated ore to 80% passing 156 µm.
- Lead sulphide flotation producing a lead sulphide concentrate.
- Zinc sulphide flotation producing a zinc sulphide concentrate.
- Lead oxide flotation producing a lead oxide concentrate.
- Concentrate dewatering and load-out systems.
- Tailings dewatering and paste backfill preparation systems.

Metallurgical tests from the MQV and SMS and recent tests completed on STK material indicated the three types of mineralization can be commingled during processing without significantly affecting their metallurgical performances.

Waste Management Plan

Tailings from the mill will be placed permanently underground as paste backfill, produced in a new paste backfill plant, and augmented by DMS reject material in the event of any volume shortfall. The majority of DMS reject and mine development material will be placed in a newly created Waste Rock Pile facility.

Concentrate Production

The Prairie Creek Mine will produce three types of concentrates: zinc sulphide, lead sulphide and lead oxide. During the first 10 years of operation, the Prairie Creek Mine will have an average annual production of 64,800 tonnes of zinc concentrate grading 59% zinc and 139 g/t silver and 71,600 tonnes of blended lead concentrates grading 62% lead and 800 g/t silver.

Access Road Construction and Transportation Plan

The Mackenzie Valley Environmental Impact Review Board recently recommended approval of the Prairie Creek All Season Road, subject to implementation of various measures, many of which build on Canadian Zinc's commitments.

An All Season Road has the following benefits, offset by an increased capital cost:

- Decrease working inventory
- Ensure more timely delivery of product and consistent supply of materials
- Lower logistical risk of transporting concentrate and supplies
- Requires a smaller trucking fleet throughout the year
- Allows the use of alternative energy sources such as Liquid Natural Gas (LNG)

The concentrates will be transported in enclosed haul trucks via the mine access road and Liard Highway. The road will utilize an ice bridge in winter and a barge in summer to cross the Liard River. Upon reaching the Liard Highway, concentrates will be trucked to the railhead at Fort Nelson and transported by rail to the port of Vancouver for shipment to smelters overseas. A staging area will be established at the junction of the mine access road and the Liard Highway. A loading area will be constructed at the railhead in Fort Nelson. Inbound freight will be trucked as backhaul over the same route.

Construction of site infrastructure will be initially serviced via a winter road. During operations concentrates will be trucked out and supplies delivered over the All Season Road.

Capital Cost Estimates

The general breakdown of the Pre-Production Capital Cost estimate for the Prairie Creek Project is indicated in the following table:

Capital Cost Estimate – Prairie Creek Mine

Description (Costs in \$M)	Project Year			Total Cost
	1	2	3	
Mine development	2.6	13.6	21.5	37.7
Site preparation	4.3	12.5	2.6	19.4
Mill process plant	9.0	18.9	3.2	31.1
Paste tailings plant and process	2.9	16.6	3.4	22.9
Indirects including EPCM	10.9	7.8	5.1	23.8
Other site infrastructure	6.7	7.7	1.5	15.9
All season road	13.0	41.6	13.9	68.5
Owner's costs	6.8	15.3	11.5	33.6
Total (excluding contingency)	56.2	134.0	62.7	252.9
Contingency	5.5	12.3	8.2	26.0
Total Pre-Production Capital	61.7	146.3	70.9	278.9

Pre-Production Capital Cost refers to capital costs incurred until the first processing of mined ore, and has been estimated at a total of \$252.9 million, excluding contingency, and \$278.9 million including a contingency of \$26.0 million.

Based on the proposals received, several capital items will be supplied on a lease-to-purchase basis, including the accommodation camp, paste plant, flotation cells and thickeners. The lease costs of such items incurred during the pre-production period are included in Pre-production Capital costs, and lease costs incurred after production start-up are included in Sustaining Capital costs.

Contingency for the process plant and site infrastructure portion was estimated using a Monte Carlo simulation model with an overall contingency of 13.2% based on 80% confidence level. Mine development costs are largely based on contractor quotes for the detailed scope of work, but with an overall 13.0% contingency allowance. The All Season Road estimation used an overall contingency of 8.0% and owner's costs were assigned a contingency factor of 10.0%. The overall project contingency is 10.3%.

Sustaining capital over the life of the mine has been estimated at \$117 million and relates largely to ongoing mine development as the mine is expanded to deeper levels, ongoing maintenance of the All Season Road and includes leasing costs of capital items in the amount of \$11 million. Working capital required to fund the first six months of mill production has been estimated at \$36 million and includes the full operating cost of mining and processing operations.

Operating Cost Estimates

The breakdown of the Operating Cost Estimate for the Prairie Creek Mine, on a Canadian dollar per tonne mined basis, is shown in the following table.

Operating Cost Estimate – Prairie Creek Mine

Total Operating Cost	(\$/t mined)
Mining	58.23
Milling/Processing	46.76
General and Administrative	30.32
Site Services	18.55
Sub-total	153.86
Transportation ¹	68.73
Total	222.59

1. Includes truck/rail/handling/shipping

Mining operating costs for the first two years of operation are largely based on contractor quotes. Operating cost estimates for mining beyond the contractor period have been developed from first principles and using direct supplier quotes.

The mining contractor quotes for the first two years of operation, based on a detailed scope of work and schedule, provide a high level of confidence in the estimated mining costs. The indicative proposal from the Northwest Territories Power Corporation to supply turnkey type power generation provides further support in the key area of power costs.

Project Execution

The 2017 FS contemplated commencement of project construction in early 2018, with the first year of the project schedule comprising detailed on-site and off-site engineering design and initial site/portal preparation, including the completion of permitting and design of the All Season Road with the second year including procurement of long-lead-time items and further preparation of the site, followed by continuous site construction and mine development to production. Mobilization will initially be by winter road or airlift, concurrent with construction of the All Season Road, with subsequent shipments of concentrates and production supplies on the All Season Road. Target start-up for commencement of commercial production/milling operations at Prairie Creek mine was scheduled in the 2017 FS for August 1, 2020, with commissioning of the mill taking place over three months prior to this date.

Recommendations

The principal recommendations in the 2017 Feasibility Study relate to further detailed studies and engineering associated with the design and operation of the future mine and, at the same time, initiating a path to production of mine construction that will lead to achieving a target mill production startup of August 2020.

Ausenco recommendations to be completed during the execution phase of the project that could improve the project economics; include:

- Detailed engineering and issue for construction drawings to support the procurement and construction of the process plant and site infrastructure.
- Early works site activities including removal of existing generators from the power house, repair of the mill roof, initial work on the Water Storage Pond and Waste Rock Pile, site clearance of derelict buildings, equipment and scrap material.
- Further investigation of the utilization of LNG (liquefied natural gas) and excess heat from generators for heating of buildings and underground mine.
- Investigate the utilization of second hand construction equipment and mobile equipment for operations.

Project Financing Initiatives

HCF, a leading independent corporate finance advisory firm based in London, UK and focused on the global natural resources and infrastructure sectors, was appointed to advise the Company with regard to securing debt financing for the Prairie Creek Project at the beginning of 2017.

In consultation with the Company, HCF prepared a three-staged approach to source and negotiate debt financing for the Prairie Creek Mine. The preliminary stage, which is now completed, included development of a funding strategy, preparation of a new financial model which was incorporated into the 2017 Feasibility Study; and conducting preliminary market soundings of potential lenders. The second stage, now underway, involves formal engagement with potentially interested parties and thereafter the third stage will involve negotiation and finalization of financing documentation.

HCF was fully involved in the preparation of the 2017 Feasibility Study and is using the Study to support the negotiation of debt financing agreements with major financial institutions. It is anticipated that up to 70% of the currently estimated \$279 million of capital required to complete the Project could be supported by debt financing.

The financing for the Prairie Creek Project was initiated in December 2017 with a project bridge loan of US\$10 million. On December 22, 2017, the Company entered into a financing agreement with RCF VI pursuant to which RCF VI provided an interim non-convertible project loan in the amount of US\$10 million which will be used for the ongoing development of the Prairie Creek Project, focused on further engineering work to improve project confidence while the Company completes the senior project financing package and establishes the construction and development management team.

The Project Bridge Loan bears an interest rate of 8%, payable quarterly and will mature on January 31, 2019. The loan is secured by a charge on the assets of the Company and contains customary affirmative and negative covenants and events of default.

Concurrently with entering into the Project Bridge Loan agreement, the Company also entered into an Investor Agreement with RCF VI which contains various rights granted to RCF VI, including among other things: a period of exclusivity to work with the Company to define the terms of RCF VI's future participation in the project financing of the Prairie Creek Mine, on terms and conditions to be agreed by the Company and RCF VI; participation rights in favor of RCF VI to maintain its pro rata shareholding interest in the Company for as long as it remains a significant shareholder; the right to nominate one member to the board of directors of the Company; and certain other project oversight rights.

RCF VI and Canadian Zinc remain in discussions regarding RCF VI's further participation in future project financings, (including any project development facility), which participation may be subject to receipt of shareholder approval if required by any regulatory authority and approval of the Toronto Stock Exchange, and certain other conditions.

Sandstorm Gold Ltd., which provides financing to mining companies through stream and royalty agreements, currently holds a 1.2% NSR on the Prairie Creek Mine which it purchased in 2013 for US\$10 million. In addition, as part of the Royalty Agreement, Sandstorm has a right of first refusal to purchase any metal stream based on production from the Prairie Creek property that Canadian Zinc may decide to sell to finance part of the capital cost to develop the Prairie Creek Mine. In connection with the Project Bridge Loan and the Royalty Agreement, Sandstorm and RCF VI have agreed to enter into an Inter-Creditor Agreement reflecting certain agreed intercreditor principles.

Permitting at Prairie Creek

On December 8, 2011, the Review Board issued its *Report of Environmental Assessment and Reasons for Decision* (the “**EA Report**”) for the Company's proposed Prairie Creek Mine in which it concluded that the proposed development of the Prairie Creek Mine is not likely to have any significant adverse impacts on the environment or to be a cause for significant public concern; that an environmental impact review of this proposed development is not necessary; and that the proposed Prairie Creek Mine project should proceed to the regulatory phase for approvals by the Water Board.

In June 2013, the MVLWB issued Land Use Permit MV2008D0014 which permits Canadian Zinc to extract ore and waste rock from the Prairie Creek Mine, operate a flotation mill concentrator to produce zinc and lead concentrates, create a waste rock facility, and refurbish and develop site facilities in support of the mining operation, along with the eventual closure and reclamation of the mine site.

In September 2013, the Minister of Aboriginal Affairs and Northern Development Canada (“**AANDC**”), approved and signed the Type “A” Water Licence for the Prairie Creek Mine in the Northwest Territories, Canada. The Type “A” Water Licence, MV2008L2-002, was issued by the Water Board on September 24, 2013 and entitles Canadian Zinc to use water, dewater the underground mine for the purposes of mining and to dispose of waste for mining and milling.

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.

In April 2014, Canadian Zinc made application to the MVLWB and Parks Canada for permits to construct, maintain and operate an All Season Road from the Mine to the Liard Highway. The MVLWB referred the applications to the MVRB in May 2014 for environmental assessment. In June 2014, the Company presented its Developer’s scoping document to local communities and organizations. In September 2014, the MVRB issued the final Terms of Reference and the Company submitted the Developer’s Assessment Report to the MVRB in April 2015.

Development of the All Season Road will enable the transportation of concentrates, outbound, and supplies, inbound, spread throughout the year. The road will also have the potential to reduce energy costs and enable the use of more environmentally friendly alternative energy sources, as local gas fields in the Northwest Territories would be a source of LNG which has the potential to reduce reliance on diesel fuel, and thereby further reduce environmental impacts.

The All Season Road will also have environmental and safety benefits as with the trucking spread out over the year, there would be less traffic volume and avoiding possible congestion in winter, which will lower the risk of accidents or spills. The road could also provide the opportunity to promote tourism in the area and thus create additional, long-term economic benefits for the region.

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 September 2017, the Review Board recommended approval of the proposed All Season Road for the Prairie Creek Mine. The Review Board issued its *Report of Environmental Assessment and Reasons for Decision* for Canadian Zinc's Prairie Creek All Season Road Project for the Prairie Creek Mine and submitted the Report to the Federal Minister of Crown-Indigenous Relations and Northern Affairs.

The Review Board recommended the approval of the Prairie Creek All Season Road be made subject to implementation of the measures described in the Report, which it considers are necessary to prevent significant adverse impacts on the environment and local people.

The full text of the Report of Environmental Assessment and Reasons for Decision (331 pages plus appendices), together with all proceedings, transcripts, technical reports and detailed information on the environmental assessment of the Prairie Creek Mine All Season Road EA1415- 01[2014] are available on the website registry of the Review Board at http://reviewboard.ca/registry/project.php?project_id=680, under the file of Canadian Zinc Corporation.

In its Report, the Review Board has prescribed mitigation measures, many of which build on Canadian Zinc's commitments made during the EA, intended to mitigate the potential adverse impacts on the environment, improve monitoring and managing the potential impacts and which will also address any public concern related to these impacts.

The Review Board has recommended the creation of an Independent Technical Review Panel, to ensure that the road is designed to a standard that is highly protective of people and the environment. Some of the Review Board measures also include requirements that Canadian Zinc negotiate with traditional knowledge holders from Nahanni Butte Dene Band and other First Nations about ways to avoid impacts on heritage resources and to conduct systematic wildlife monitoring and adaptive management using traditional knowledge.

With these and other measures to reduce or avoid identified impacts, the Review Board concluded that the Project will be improved, and meaningful actions will mitigate the significant impacts that would otherwise occur.

During the summer of 2017, three separate field programs relating to the All Season Road were completed. The programs were part of the Company's further commitments to the route assessment made during the environmental assessment process and included center-line survey location for the road route and additional baseline environmental studies including, bird, wildlife and vegetation studies. The helicopter supported programs were carried out from bases at both the mine site and at the community of Nahanni Butte.

On January 18, 2018, the Minister of Crown Indigenous Relations and Northern Affairs Canada, invoked a two-month extension to the timeline for the Minister's decision on the Report of Environmental Assessment for the Prairie Creek All Season Road, originally due by February 12, 2018 to allow the federal and territorial governments to complete aboriginal consultations.

In connection with such consultations, on January 19, 2018, INAC provided Canadian Zinc with certain information requests identifying specific issues raised by Indigenous groups that need further clarity through proponent engagement, so the Responsible Ministers can be confident that the Crown has discharged its legal duty to consult by meaningfully consult with potentially impacted Indigenous groups.

INAC has requested Canadian Zinc to engage the Nahanni Butte Dene Band, Liidlii Kue First Nation and the Dehcho First Nations, as recommended by the Review Board, to gain an understanding of the Indigenous groups' concerns, discuss and determine how the Indigenous groups will be included in monitoring and discuss the Indigenous groups' requests for support to participate in implementation of the measures recommended by the Review Board and the commitments made by Canadian Zinc in the environmental assessment process.

Canadian Zinc is cooperating with the request from INAC and is engaging with Indigenous groups to discuss the implementation of various measures recommended by the Review Board, the sharing and incorporation of Dene traditional knowledge and values into project design and the inclusion of the Indigenous groups in environmental and wildlife monitoring of the All Season Road.

The issue of the information requests, pursuant to subsection 130 (4.06) of the *Mackenzie Valley Resource Management Act*, has the effect of stopping the clock on the five-month time limit for the Responsible Ministers to

make a decision on the Report of Environmental Assessment. The time limit, extended by an additional two months, will resume only after the Company has provided an adequate response to the information requested.

Canadian Zinc had expected that implementation of the measures which had been recommended by the Review Board would be addressed and resolved during the permitting phase with the Water Board and Parks Canada, as in previous applications; however, INAC has indicated that the Responsible Ministers require these issues clarified at this stage and not deferred to post-environmental assessment processes. As such, the engagement requested is not an unexpected requirement but rather one brought forward to the current stage of the process.

Once the environmental assessment report is approved by the Minister, the permitting process enters into the regulatory phase, conducted by the Mackenzie Valley Land and Water Board with input from territorial and federal agencies, in which road permits are issued by the Water Board and by Parks Canada. These permits will incorporate the recommended mitigation measures included in the EA Report.

The proposed All Season Road follows the general alignment of the already permitted winter road, while locally adjusting the route to accommodate for terrain, site characteristics, and road specifications more suitable and preferred for an All Season Road. The road from the mine to kilometre 37.4 is permitted for all season use but needs upgrading along this section, including minor realignments and new watercourse crossings.

Canadian Zinc plans to construct the road over a period of three years. Prior to construction activities, the Company plans to conduct geotechnical field investigations leading to detailed road design plans and award construction contracts. The plan is to build a winter road in the first winter season to support road construction activities. The first winter road will also be used for transporting equipment, materials and diesel fuel to site for mine construction.

Development of the All Season Road will enable the transportation of concentrates, outbound, and supplies, inbound, spread throughout the year reducing the need for a large inventory of supplies on site. The All Season Road will also have environmental and safety benefits as with the trucking spread out over the year, there would be less traffic volume and avoiding possible congestion in winter, which will lower the risk of accidents or spills. The road will also have the potential to reduce energy costs and enable the use of more environmentally friendly alternative energy sources, as local gas fields in the Northwest Territories could be a source of LNG which has the potential to reduce reliance on diesel fuel, and thereby further reduce environmental impacts.

Other Permitting Activities

The Company has made application to the Mackenzie Valley Land and Water Board for a number of amendments to existing Licences and Land Use Permits. Four applications are currently underway awaiting decision by MVLWB:

- Amendment to Water Licence MV2008L2-0002 to extend the term of the Licence for the life of Mine.
- Amendment to Water Licence MV2001L2-0003 to amend the Zinc compliance levels to reflect the levels prescribed in the federal Metal Mining Effluent Regulations.
- Extension for two years to Winter Road LUP MV2012F0007, which had an original term which expired January 2018.
- Request for clarification of use of the alignment of All Season Road, where it deviates from the winter road alignment, under Winter Road LUP MV2012F0007 submitted at the same time with the application for the two year extension.

Lead / Zinc Exploration in Newfoundland

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 Hurricane and Tulks East prospects; 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 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.

On December 5, 2017 Glencore Canada Corporation and Ontario Teachers' Pension Plan announced the formation of BaseCore Metals LP, a 50:50 joint venture limited partnership focused on base metals streams and royalties. Under the agreements for BaseCore Metals, Glencore contributed a portfolio of selected existing royalties on producing and development stage properties in North and South America, including the Antamina and Highland Valley mines, as well as 2% NSR royalties on Canadian Zinc's Tulks South, South Tally and Long Lake properties in Newfoundland.

In 2015, the Company entered into a collaboration agreement with Buchans Minerals Corporation ("**Buchans Minerals**"), formerly, a wholly owned subsidiary of Minco Plc (AIM: MIO), whereby the two Companies shared research data on their respective central Newfoundland Zn-Pb-Cu-Ag-Au deposits. The intent and objective of the research was to determine the technical and economic viability of developing the companies' deposits into producing operations by utilizing a central milling facility. The concept was 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.

The collaborative research program, was partially funded by the Research & Development Corporation of Newfoundland and Labrador ("**RDC**") through the GeoEXPLORE Industry-led program.

The metallurgical test program, completed by Thibault & Associates Inc. of Fredericton, New Brunswick, demonstrated that the ore from the Company's Lemarchant and Boomerang-Domino deposits can be successfully processed in a central mill using a sequential flotation flowsheet, and that selective zinc, lead and copper concentrates at marketable grades can be produced from these deposits.

The positive results of the research project provide valuable direction to guide future exploration on the Company's central Newfoundland deposits and the conceptual economic modeling provided key information on which to focus future economic studies and development plans for advancing the development of these deposits through a centralized milling facility.

In 2017, the Company resumed its diamond drilling exploration programs at the South Tally Pond and Tulks South projects. The drilling at South Tally Pond project was designed to continue to test for mineralized extensions to the Lemarchant deposit and initial drill testing of three high priority base metal prospects located in the Lemarchant area, including Lost Pond, Spencers Pond and Lake Ambrose West. Drilling at Tulks South was aimed at expanding the Boomerang-Domino deposit and testing three priority target areas within the horizon that hosts the Boomerang-Domino deposit, up to 2.0 km along strike of the deposit.

During 2017, the Company completed 15,264 metres of drilling in 56 drillholes and 3 drillhole extensions over three drilling campaigns at the Lemarchant deposit. The 2017 drill program focused on the expansion of the Lemarchant deposit's two mineralized zones, the Main Zone and Northwest Zone, and to test several priority geophysical targets located to the immediate south and north of the Lemarchant deposit.

The 2017 drilling intersected significant extensions of base metal massive sulphide mineralization, both up-dip and immediately along strike of the currently defined Lemarchant Main Zone. The Lemarchant Main Zone massive sulphide mineralization now extends an additional 80 metres up-dip and over a 250-metre strike length (from sections 100+75N to 103+25N). The vertical depths of the mineralized drill intercepts range from 120 to 170

metres. Drilling at the Lemarchant Northwest Zone, located 250 metres northwest of the Main Zone extended the mineralization along strike by up to 50 metres to the north and south.

Canadian Zinc has engaged Mercator Geological Services Limited ("**Mercator**") of Dartmouth, Nova Scotia, to complete an updated NI 43-101 Mineral Resource Estimate of the Lemarchant deposit. The updated Mineral Resource Estimate is scheduled to be completed in the second quarter of 2018.

During 2017, the Company completed 4,981 metres of drilling in 14 drillholes at the Boomerang-Domino massive sulphide deposit and at three priority target areas located up to 2.0 km along strike of the Boomerang-Domino deposit.

Drilling at the Boomerang-Domino deposit (6 holes, 1,709 metres) successfully extended the Boomerang base metal mineralization up-dip by 50 metres in one drillhole. The remaining drillholes intersected up to 1 metre thick massive pyrite intervals with weak to anomalous base metals along the projected Boomerang horizon.

Drilling along strike of the Boomerang Domino deposit at the Zinc Zone (3 holes, 1,291 metres), Telephone Hill (3 holes, 1,131 metres), and Hurricane prospects (2 holes, 836 metres) intersected variable altered, favorable felsic volcanic footwall stratigraphy with local, weakly anomalous base metal mineralization.

Financing Activity

On July 7, 2016, the Company closed an underwritten public offering of common shares and flow-through shares through a syndicate of underwriters co-led by Paradigm Capital Inc. and Canaccord Genuity Corp. and including Dundee Securities Ltd.

The Company issued 34,135,000 common shares at a price of \$0.25 per share for gross proceeds of \$8,533,750 and 6,665,000 flow-through shares at a price of \$0.25 per share for gross proceeds of \$1,666,250. In total, the gross proceeds of the offering amounted to \$10,200,000.

On December 14, 2016, the Company closed a non-brokered private placement of flow-through shares. The Company issued 6,666,664 common shares, which qualify as flow-through shares of the Company for purposes of the Income Tax Act (Canada), at a price of \$0.30 per share, raising aggregate gross proceeds of \$2,000,000.

The net proceeds from the sale of non-flow-through shares were used to fund feasibility and development programs for the Prairie Creek Project, exploration programs at both the Prairie Creek Project and the Company's Newfoundland properties, as well as for general working capital purposes.

The gross proceeds from the sale of flow-through shares issued in the public offering and the private placement were used to incur eligible Canadian Exploration Expenses and flow-through mining expenditures, as defined under the Income Tax Act (Canada), that were renounced in favour of the purchasers with an effective date of December 31, 2016. The funds were used to explore the Company's Long Lake, Tulks South and South Tally Pond projects in central Newfoundland.

The Company undertook no equity financing during 2015 or 2017.

The Company retained HCF, a leading corporate finance firm based in London, UK and focused on the global natural resources and infrastructure sectors, as its adviser in securing bank debt or other project debt financing for the construction of the Prairie Creek Mine and HCF is currently engaged in advanced discussions with several finance providers. It is anticipated that up to 70% of the estimated capital required to complete the Project could be supported by debt financing.

The financing for the Prairie Creek Project was initiated in December 2017 with a project bridge loan of US\$10 million. On December 22, 2017, the Company entered into a financing agreement with RCF VI pursuant to which RCF VI provided an interim non-convertible project loan in the amount of US\$10 million which will be used for the ongoing development of the Prairie Creek Project, focused on further engineering work to improve project confidence while the Company completes the senior project financing package and establishes the construction and development management team.

The Project Bridge Loan bears an interest rate of 8%, payable quarterly and will mature on January 31, 2019. The loan is secured by a charge on the Company's assets and contains customary affirmative and negative covenants and events of default.

The Company also entered into an Investor Agreement with RCF VI which contains various rights granted to RCF VI, including among other things: a period of exclusivity to work with the Company to define the terms of RCF VI's future participation in the project financing of the Prairie Creek Mine, on terms and conditions to be agreed by the Company and RCF VI; participation rights in favor of RCF VI to maintain its pro rata shareholding interest in the Company for as long as it remains a significant shareholder; the right to nominate one member to the board of directors of the Company; and certain other project oversight rights.

RCF VI and Canadian Zinc remain in discussions regarding RCF VI's further participation in future project financings, (including any project development facility), which participation may be subject to receipt of shareholder approval if required by any regulatory authority and approval of the Toronto Stock Exchange, and certain other conditions.

Sandstorm Gold Ltd, which provides financing to mining companies through stream and royalty agreements, currently holds a 1.2% NSR on the Prairie Creek Mine which it purchased in 2013 for US\$10 million. In addition, as part of the Royalty Agreement, Sandstorm has a right of first refusal to purchase any metal stream based on production from the Prairie Creek property that Canadian Zinc may decide to sell to finance part of the capital cost to develop the Prairie Creek Mine. In connection with the Project Bridge Loan and the Royalty Agreement, Sandstorm and RCF VI have agreed to enter into an Inter-Creditor Agreement reflecting certain agreed intercreditor principles.

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 senior financing to complete the development and construction of the Project.

B. Business Overview

Canadian Zinc's focus for 2018 is to procure the financing required to continue the development of the Prairie Creek Project and advance the Mine towards production.

In consultation with the Company, HCF conducted preliminary market soundings of potential lenders and is now in negotiation with potentially interested parties. It is anticipated that up to 70% of the currently estimated \$279 million of capital required to complete the Project could be supported by debt financing.

The Investor Agreement with RCF VI contains various rights granted to RCF VI, including among other things: a period of exclusivity to work with the Company to define the terms of RCF VI's future participation in the project financing of the Prairie Creek Mine, and Canadian Zinc continues in discussions with RCF VI regarding RCF VI's further participation in future project financings.

In the meantime, the US\$10 million bridge loan which will be used for the ongoing development of the Prairie Creek Project, focused on further engineering work to improve project confidence while the Company completes the senior project financing package and establishes the construction and development management team.

The 2017 FS contemplated commencement of project construction with a winter road in early 2018 and with mill start-up projected for August 2020. The mine construction and start-up schedule are significantly influenced by the seasonal weather conditions in the Northwest Territories and without a winter road in 2018 a revised project schedule has now been compiled with a three-year pre-production and construction period and a production start-up target date of August 2021.

Specific programs aimed at further de-risking the Prairie Creek project are planned for 2018, including detailed engineering and design of the mine facilities, rehabilitation of equipment and accommodations, hydrological investigations, initial site/underground preparation and procurement of long-lead-time items. The second year of the project schedule, supported by a winter road in early 2019, will include camp and mill refurbishment, geotechnical programs leading to further design of the All Season Road, underground development from existing workings and construction of key surface infrastructure items. Construction of the All Season Road is now

planned to commence from a winter road in early 2020 and continue throughout 2020 and into 2021, in parallel with continuous and ongoing site construction and mine development, leading to commissioning/plant start-up in early 2021, with the target of achieving commercial production in August 2021.

The current prices of both zinc and lead are strong and substantially higher than the prices used in the 2017 FS. For example, using a zinc price of US\$1.20 per lb. instead of the price of US\$1.10 per lb. used in the 2017 FS, with all other base case inputs unchanged would increase the pre-tax NPV 8% to \$410 million and the IRR to 26.2%. Using a zinc price of US\$1.20 per lb., with all other base case inputs and a foreign exchange rate of CA\$1.375=US\$1.00 would increase the pre-tax NPV 8% to \$574 million and the IRR to 31.9%.

The long-term price outlook for lead and zinc remains very positive. Supported by the robust economics indicated by the 2017 FS, Canadian Zinc will continue to pursue all alternatives for raising the senior financing necessary to complete the development and construction and put the Prairie Creek Mine into production.

Canadian Zinc also owns an extensive mineral land package in central Newfoundland covering three large 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 2017 exploration program in central Newfoundland properties was successfully completed at the end of 2017 and the results are being compiled to aid future exploration. Canadian Zinc has engaged Mercator of Dartmouth, Nova Scotia, to complete an updated NI 43-101 Mineral Resource Estimate of the Lemarchant deposit. The updated Mineral Resource Estimate is scheduled to be completed in the second quarter of 2018.

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.

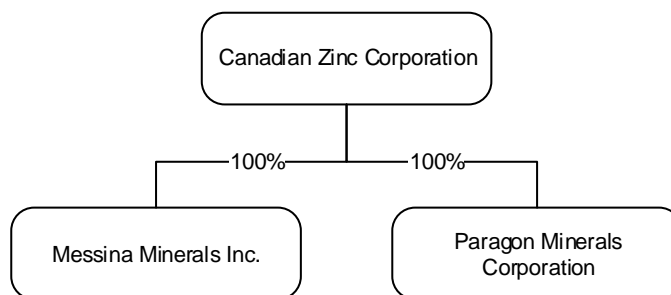
The Company is considered to be in the exploration and development stage given that its exploration properties are not yet in production and, to date, have not earned any significant revenues. The recoverability of amounts shown for exploration and evaluation assets shown on the Company's balance sheet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

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, even if commercial quantities of ore are delineated, a profitable market may exist for the sale of products, including concentrates from that ore. Factors beyond the control of the Company may affect the marketability of any minerals discovered or concentrates produced. The marketability of minerals is affected by numerous factors beyond the control of the Company, including quality issues, impurities, government regulations, royalties, allowable production and importing and exporting of minerals, the effect of which cannot be accurately predicted.

C. Organizational Structure

At the end of its most recently completed financial year the Company's structure includes a wholly-owned subsidiary, Paragon Minerals Corporation ("**Paragon**"), which is organized under the laws of Canada and a wholly-owned subsidiary Messina Minerals Inc. ("**Messina**"), which is organized under the laws of British Columbia. (See

“General Development of the Business – Company Acquisitions”) The following chart shows the intercorporate relationship between the Company and its subsidiaries:



D. Property, Plant and Equipment

The Company's key property 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**”).

Canadian Zinc also owns an extensive mineral land package in central Newfoundland covering three large 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.

Mineral Properties

Prairie Creek – the Company's Principal Property

The original discovery of mineralization on the Prairie Creek Property was made in 1928 at the showing known as the “No. 5 Zone.” In 1958, a limited mapping program was undertaken by Fort Reliance Minerals Ltd. The claims lapsed in 1965 and were restaked by the prospector and subsequently conveyed to Cadillac Explorations Ltd. (“**Cadillac**”) in 1966. Cadillac also acquired a 182,590 acre prospecting permit.

During 1966 to 1969, trenching was carried out by Cadillac on a number of zones and underground exploration commenced. The prospecting permit expired in 1969 and 6,659 acres (210 claims) were selected by Cadillac and brought to lease. The property was optioned to Penarroya Canada Ltee. (“**Penarroya**”) in 1970 and the underground development was extended. Surface drilling and preliminary metallurgical testing was also conducted. Penarroya discontinued their work in late 1970 and Cadillac resumed full operation of the project. Cadillac further developed the underground workings and resampled the crosscuts in 1979.

In 1980, an independent feasibility study was completed for Cadillac by Kilborn Engineering which resulted in a decision to put the property into production. In December 1980, Procan Exploration Company Ltd. (“**Procan**”) (a company associated with Herbert and Bunker Hunt of Texas) agreed to provide financing for construction, mine development and working capital necessary to attain production based on the Kilborn feasibility study. Between 1980 and 1982, extensive mine development took place. Cadillac acquired a 1,000-ton per day mill concentrator and transported it to the minesite. The mill was erected and a camp established. Two adits and extensive underground workings were developed. During this time the winter road connecting the mine to the Liard Highway was constructed and over 500 loads of supplies were transported to site. Construction activities continued until May 1982 and were almost complete when they were suspended due to lack of financing. Subsequently, Cadillac went into bankruptcy in May 1983 and site maintenance and operations were taken over by Procan.

In 1991, Nanisivik Mines Limited (an unaffiliated third party) acquired the property through the bankruptcy proceedings. Pursuant to an August 23, 1991 Option Agreement, the Company entered into an option to acquire a 60% interest in the Prairie Creek Property from Nanisivik Mines Ltd. Subsequently, pursuant to a March 29, 1993 Asset Purchase Agreement that superseded the Option Agreement, the Company acquired a 100% interest in the Prairie Creek Property, and a 60% interest in the plant and equipment, subject to a net smelter royalty of

2% in favour of Titan Pacific Resources Ltd. which as successor to Procan held the remaining 40% interest. In January 2004, the Company acquired all of Titan's interest, including the 2% net smelter royalty, to hold a 100% interest in the Prairie Creek property, plant and equipment.

Between 1991 and 2000, the Company carried out various exploration programs on the Prairie Creek Property. In January 2001, the Company completed a Scoping Study designed to outline and guide the re-development of the existing mine and mill on the Prairie Creek Property. The Scoping Study indicated the feasibility of a mining and milling operation on the site and identified a number of different development and production scenarios.

In 2006 and 2007, the Company carried out an underground exploration program, driving a decline about 550 metres and completing approximately 10,600 metres of underground drilling. In October 2007, an updated Technical Report (the "**Minefill Report**") with regard to Mineral Resource Estimation on the Main Zone at Prairie Creek was independently prepared by Minefill Services Inc. in compliance with National Instrument 43-101, following the results of the 2006/2007 underground drilling program. The Minefill Report verified and confirmed a previous historical resource estimate completed by MRDI in 1998 and noted significant upgrades in resource categories. The Minefill Report indicated that the Prairie Creek Property hosts total Measured and Indicated Resources of 5,840,329 tonnes grading 10.71% zinc, 9.90% lead, 161.12 grams silver per tonne and 0.326% copper. In addition, the Minefill Report confirmed that there is also a large Inferred Resource of 5,541,576 tonnes grading at 13.53% zinc, 11.43% lead, 215 grams per tonne silver and 0.514% copper and additional exploration potential. This positive report led the Company to submit a formal application to the regulatory authorities in 2008 to secure the necessary licences and permits required for an operating mine at Prairie Creek.

A Preliminary Feasibility Study prepared by SNC-Lavalin Inc. of Vancouver was submitted to the Company in June 2012 and a corresponding Technical Report dated effective June 15, 2012 was filed on SEDAR on August 9, 2012. Such report was revised to incorporate post-tax results and was filed on SEDAR on July 23, 2014. The 2012 Preliminary Feasibility Study was based on a Mineral Reserve of 5.2 million tonnes averaging 9.4% zinc, 9.5% lead and 151 g/t silver, calculated from a AMC Mineral Resource estimate of June 2012 of 5.4 million tonnes averaging 10.8% zinc, 10.2% lead and 160 g/t silver and an Inferred Resource of 6.2 million tonnes averaging 14.5% zinc, 11.5% lead, 0.57% copper and 229 g/t silver.

In 2013, the Company sold a 1.2% NSR Royalty on all metals produced from the Prairie Creek Property.

An updated Mineral Resource estimate completed in March 2015 by AMC Mining Consultants (Canada) Ltd. (Gregory Z. Mosher P.Geo. and J. Morton Shannon P.Geo., Qualified Persons ("**QP**"), as defined by National Instrument 43-101) demonstrated an increase in overall Mineral Resource tonnages in the Indicated category and in the Inferred category. The new Mineral Resource updated the previous Mineral Resource Estimate of June 2012.

In 2015, Canadian Zinc completed an 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 are considered 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 were both achieved.

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 September 2015 Prairie Creek mineral resource estimate was completed by AMC [Gregory Z. Mosher P. Geo., Qualified Persons as defined by NI 43-101] and reported in the Company's September 17, 2015 press release. AMC also completed the previous mineral resource estimates in 2012 and March 2015.

An updated 2016 Prefeasibility Study, based on optimization work undertaken over the prior three years, was completed by AMC Mining Consultants (Canada) Ltd., of Vancouver, Canada, in conjunction with Tetra Tech Inc. (Tetra Tech), Vancouver, in March 2016. The 2016 Prefeasibility Study superseded the 2012 Prefeasibility Study completed by SNC Lavalin.

The 2017 FS was completed in September (Technical Report filed on SEDAR October 31, 2017). The results of the 2017 FS indicate notable improvements compared to the 2016 PFS and confirm that the Prairie Creek Mine can support a significant increase in the mining rate and mill throughput that will enable production of higher quantities of zinc, lead and silver, and at lower operating cost as compared to the mine plan presented in the 2016 PFS.

Permitting

A Project Description Report ("PDR") was prepared and filed with the MVLWB in May 2008 in support of application for operating permits. The PDR describes in detail the proposed new mining operations at Prairie Creek and contemplates the construction of new facilities including new fuel-efficient/low-emission power generating units, a kitchen/accommodation block, concentrate storage shed, an incinerator, a new engineered waste rock pile and two new transfer stations along the winter road.

After review of the PDR, the MVLWB in August 2008 referred the application to Environmental Assessment under the jurisdiction of the Review Board. In March 2010, the Company submitted its Developer's Assessment Report to the Review Board.

In December 2011, The Review Board issued its *Report of Environmental Assessment and Reasons for Decision* for Canadian Zinc's proposed Prairie Creek Mine. The Review Board concluded the proposed development is not likely to have any significant adverse impacts on the environment or to be a cause for significant public concern, an environmental impact review of the proposed development is not necessary and the project should proceed to the regulatory phase for approvals. In June 2012, the Minister of Aboriginal Affairs and Northern Development advised the Review Board that an environmental impact review of the proposed development of the Prairie Creek Mine is not necessary.

In a decision dated June 8, 2012, the Minister of Aboriginal Affairs and Northern Development, on behalf of the responsible Ministers with jurisdiction, including the Minister of the Environment, the Minister of Fisheries and Oceans, the Minister of Environment and Natural Resources, the Minister of Transport Canada and the Minister of Environment and Natural Resources of Government of the Northwest Territories, advised the Review Board of the decision that the Ministers would not order an environmental impact review of the proposed development of the Prairie Creek Mine, nor would they refer the proposal to the Minister of the Environment for a Canadian Environmental Assessment Act joint panel review.

In January 2012, following the completion of the Environmental Assessment in December 2011, the Water Board commenced the regulatory process for the issue of a Type "A" Water Licence and Land Use Permits for the operation of the Prairie Creek Mine. In February 2012, the Company submitted a Consolidated Project Description, highlighting the changes that resulted from commitments made by Canadian Zinc during the EA process.

In June 2013, the MVLWB issued Land Use Permit MV2008D0014, which permits Canadian Zinc to extract ore and waste rock from the Prairie Creek Mine, operate a flotation mill concentrator to produce zinc and lead concentrates, create a waste rock facility, and refurbish and develop site facilities in support of the mining operation, along with the eventual closure and reclamation of the mine site. This permit, which is valid for a term of five years, with an optional two year extension, is subject to numerous conditions including the requirement to deposit with the Minister of Aboriginal Affairs and Northern Development Canada security of \$3 million within ninety days of the issue of the permit and an additional \$1 million prior to the commencement of construction upgrades to the mill.

Also in June 2013, the MVLWB issued LUP MV2008T0012 which permits Canadian Zinc to construct and operate the Liard Transfer Facility to be situated near the junction of the existing Prairie Creek Mine access road and the Liard Highway. The Liard Transfer Facility is a staging area at the south end of the winter access road designed to temporarily store outbound concentrate and inbound supplies. This permit is valid for a term of five years, with an optional two year extension, and provides for the posting of security in the total amount of \$315,000 at various stages of activity under that permit.

In September 2013, the Minister of Aboriginal Affairs and Northern Development Canada approved and signed the Type “A” Water Licence for the Prairie Creek Mine in the Northwest Territories, Canada. The Type “A” Water Licence, MV2008L2-002, was issued by the Water Board in September, 2013.

The Type “A” Water Licence is valid for a term of seven years and entitles Canadian Zinc to use water, dewater the underground mine for the purposes of mining and to dispose of waste for mining and milling. The Licence is subject to numerous conditions, including the requirement to post, in stages and maintain security for future reclamation with the Minister of Aboriginal Affairs and Northern Development Canada totaling \$13.07 million on an original schedule of \$3 million within ninety days of the effective date of the licence, \$5 million prior to extracting waste rock from the underground mine and \$5.07 million prior to commencing milling.

The Type “A” Water Licence and the Land Use Permit are the key regulatory permits needed for the construction, development and operation of the Prairie Creek Mine. The successful completion of the regulatory process marked the culmination of many years of effort by the Canadian Zinc team, the MVLWB, the various government agencies and all the stakeholders in the region. The positive recommendation of the Water Board demonstrates that a broad consensus had been achieved through the process.

Copies of the Type “A” Water Licence and Land Use Permit and associated documents may be inspected on the Water Board website (Year 2008, Canadian Zinc MV2008L2-0002) and under the Company’s profile on SEDAR.

On December 22, 2013, the Company filed an application to the MVLWB for amendments to the timing schedules of the various security deposits to be provided to the Minister of of Aboriginal Affairs and Northern Development Canada under the Type “A” Water Licence and the Land Use Permit. The Department of Aboriginal Affairs and Northern Development Canada has confirmed to the MVLWB that the Board’s assessment of the Company’s liability for the cost of closure and reclamation is not applicable until a new surface lease for production replaces the existing care and maintenance surface lease.

In August 2014, Canadian Zinc submitted an amended development schedule for the Prairie Creek Mine to the Mackenzie Valley Land and Water Board and this was followed up by an application to the MVLWB in October 2014 requesting that its Type “A” Water Licence be held in abeyance until more certainty develops around the actual commencement of construction and the mine development schedule.

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.

Road Land Use Permits and Water Licences

Nahanni National Park Reserve (“NNPR”) was expanded in 2009 and now encircles the Prairie Creek Property; however the Prairie Creek Property was excluded from the expansion area and is not part of the Park. The park expansion area now includes a significant portion of the Prairie Creek Access Road route, however, when NNPR was expanded the *Canada National Parks Act* was amended to enable the Minister of the Environment to enter into leases or licences of occupation of, and easements over, public lands situated in the expansion area for the purposes of a mining access road leading the Prairie Creek area, including the sites of storage and other facilities connected with that road.

The mine access road, part of which passes over Crown land and part through the expanded Nahanni National Park Reserve, is multi-jurisdictional and the Company has received from both the Water Board and Parks Canada all necessary winter road related permits and licences related to their respective jurisdictions.

In January 2013, the MVLWB issued LUP MV2012F007 for a period of five years, which permits the construction, maintenance, operation and use of the winter road connecting the Prairie Creek Mine to the Liard Highway. This permit allows the outbound transportation of the zinc and lead concentrates to be produced at the mine and the inbound transportation of fuel and other supplies during the actual operation of the Prairie Creek Mine. This road permit incorporates realignment of the original route to improve access and further reduce potential environmental impact and provides for the posting of security of \$220,000 prior to the commencement of operations.

At the same time the Water Board also issued a Type “B” Water Licence MV2012L1-0005, valid for a period of seven years commencing January 2013, which permits the limited use of water and disposal of waste for road construction, maintenance, and operational activities and provides for the posting of security of \$220,000.

This Land Use Permit and Water Licence apply to the portion of the winter road traversing Crown Land which is under the jurisdiction of the Water Board. There are two sections to this portion of the road, the first being 17 kilometres of road from the mine site to the point where the road enters the NNPR and the second, being 80 kilometres of road from the eastern boundary of the NNPR to the Liard Highway.

In September 2013, the Company received from Parks Canada permits Parks2012_W001 WL and Parks2012-L001 LUP, both valid for a period of five years valid until August 2018. The permits authorize road access through the NNPR to connect sections of road outside the Park permitted by the MVLWB. In order to ensure a harmonized regulatory process, the conditions in the Parks Canada permits largely mirror those in the Land Use Permits previously issued to the Company by the MVLWB, in respect of that portion of the road that runs outside the NNPR. The Parks Canada permits provide for the posting of security totaling approximately \$2.57 million at various stages prior to the commencement of operations of the road or construction of the transfer facilities.

Canadian Zinc holds all land use permits and water licences required for the construction and operation of the entire 184 kilometre winter access road which connects the Prairie Creek Mine to the Liard Highway and for the construction of two transfer and staging facilities along the road, one near the Liard River crossing and the second inside the Park at about the half way mark.

The Company has made application to the Mackenzie Valley Land and Water Board for a two-year extension to Winter Road LUP MV2012F0007, which had an original term which expired January 2018, and submitted a request for clarification of use of the alignment of the All Season Road, where it deviates from the winter road alignment, under Winter Road LUP MV2012F0007LUP.

In April 2014, the Company submitted an application to the MVLWB and to Parks Canada for Land Use Permits to permit the upgrade of the winter access road to all season use. The application for permits for an All Season Road was referred for Environmental Assessment to the Mackenzie Valley Review Board. In June 2014, the Company presented a Developer’s scoping document to local communities and organizations. In September 2014, the MVRB issued the final Terms of Reference and the Company submitted the Developer’s Assessment Report to the MVRB in April 2015.

In April 2015, Canadian Zinc submitted its 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.

Technical Sessions took place in Yellowknife from June 13, 2016 to June 16, 2016. The purpose of the Technical Session was for all parties and regulators to discuss issues face-to-face in order to gain a better understanding of the All Season Road Project and its potential environmental impacts.

Additional Technical Sessions on cultural impacts were also held in the local communities of Nahanni Butte and Fort Simpson on July 4 and 5, 2016. The purpose of these sessions was to gather information from land and resource users in the two Dehcho communities about the potential impacts and to discuss possible mitigations of the proposed All Season Road.

The June Technical Sessions generated a list of commitments and undertakings. In July 2016, CZN completed a field work program along the road corridor to gather additional base line data on vegetation, wildlife and stream crossings that were deemed necessary to respond to some of the undertakings. On August 18, 2016, Canadian Zinc completed submitting its responses to the undertakings from the June Technical Session. Canadian Zinc was subsequently asked to submit some additional information and did so on September 6, 2016.

In September 2016, the Company received the second round of Information Requests from parties registered in the regulatory process. CZN submitted its responses to the second round of Information Requests in October 2016 which was followed by a risk assessment stage. After a number of submissions the risk assessment phase was deemed complete by the MVRB in early February 2017 and the EA process subsequently entered into the Hearing Phase.

The Review Board held Community Hearings in Nahanni Butte on April 24, 2017 and in Fort Simpson on April 25, 2017. The Community Hearings provided an opportunity for local communities to hear and to participate in a discussion of the issues related to the proposed road development and to raise any concerns directly with the Review Board. There was strong support shown for the Prairie Creek project from both communities.

The Review Board held Formal (Technical) Public Hearings in Fort Simpson April 26–28, 2017. These more formal Hearings involved review by all registered parties through a series of presentations followed by questions.

Participating parties in the Hearings included the Nahanni Butte Dene Band, the Liidlii Kue First Nation, the Dehcho First Nations, Government of the Northwest Territories, Environment and Climate Change Canada, Fisheries and Oceans Canada, Indigenous and Northern Affairs Canada, Natural Resources Canada and Parks Canada Agency. The Public Hearings were completed in May 2017 and the Review Board closed the public record.

In September 2017, the Review Board recommended approval of the proposed All Season Road for the Prairie Creek Mine. The Review Board issued its *Report of Environmental Assessment and Reasons for Decision* for Canadian Zinc's Prairie Creek All Season Road Project for the Prairie Creek Mine and submitted the Report to the Federal Minister of Crown-Indigenous Relations and Northern Affairs.

The Review Board recommended the approval of the Prairie Creek All Season Road be made subject to implementation of the mitigation measures described in the Report, which it considers are necessary to prevent significant adverse impacts on the environment and local people.

The full text of the Report of Environmental Assessment and Reasons for Decision (331 pages plus appendices), together with all proceedings, transcripts, technical reports and detailed information on the environmental assessment of the Prairie Creek Mine All Season Road EA1415- 01[2014] are available on the website registry of the Review Board at http://reviewboard.ca/registry/project.php?project_id=680, under the file of Canadian Zinc Corporation.

In its Report, the Review Board has prescribed mitigation measures, many of which build on Canadian Zinc's commitments made during the EA, intended to mitigate the potential adverse impacts on the environment, improve monitoring and managing the potential impacts and which will also address any public concern related to these impacts.

The Review Board has recommended the creation of an Independent Technical Review Panel, to ensure that the road is designed to a standard that is highly protective of people and the environment. Some of the Review Board measures also include requirements that Canadian Zinc negotiate with traditional knowledge holders from Nahanni Butte Dene Band and other First Nations about ways to avoid impacts on heritage resources and to conduct systematic wildlife monitoring and adaptive management using traditional knowledge.

With these and other measures to reduce or avoid identified impacts, the Review Board concluded that the project will be improved, and meaningful actions will mitigate the significant impacts that would otherwise occur.

During the summer of 2017, three separate field programs relating to the All Season Road were completed. The programs were part of the Company's further commitments to the route assessment made during the environmental assessment process and included center-line survey location for the road route and additional baseline environmental studies including, bird, wildlife and vegetation studies. The helicopter supported programs were carried out from bases at both the mine site and at the community of Nahanni Butte.

On January 18, 2018, the Minister of Crown Indigenous Relations and Northern Affairs Canada, invoked a two-month extension to the timeline for the Minister's decision on the Report of Environmental Assessment for the Prairie Creek All Season Road, originally due by February 12, 2018, to allow the federal and territorial governments to complete aboriginal consultations.

In connection with such consultations, on January 19, 2018, INAC provided Canadian Zinc with five information requests, identifying specific issues raised by Indigenous groups that need further clarity through proponent engagement, so the Responsible Ministers can be confident that the Crown has discharged its legal duty to meaningfully consult with potentially impacted Indigenous groups.

INAC has requested Canadian Zinc to engage the Nahanni Butte Dene Band, Liidlii Kue First Nation and the Dehcho First Nations, as recommended by the Review Board, to gain an understanding of the Indigenous groups' concerns, discuss and determine how the Indigenous groups will be included in monitoring and discuss the Indigenous groups' requests for support to participate in implementation of the measures recommended by the Review Board and the commitments made by Canadian Zinc in the environmental assessment process.

Canadian Zinc is cooperating with the request from INAC and is engaging with Indigenous groups to discuss the implementation of various measures recommended by the Review Board, the sharing and incorporation of Dene traditional knowledge and values into project design and the inclusion of the Indigenous groups in environmental and wildlife monitoring of the All Season Road.

The issue of the information requests, pursuant to subsection 130 (4.06) of the *Mackenzie Valley Resource Management Act*, has the effect of stopping the clock on the five-month time limit for the Responsible Ministers to make a decision on the Report of Environmental Assessment. The time limit, extended by an additional two months, will resume only after the Company has provided an adequate response to the information requested.

Canadian Zinc had expected that implementation of the measures which had been recommended by the Review Board would be addressed and resolved during the permitting phase with the Water Board and Parks Canada, as in previous applications; however, INAC has indicated that the Responsible Ministers require these issues clarified at this stage and not deferred to post-environmental assessment processes. As such, the engagement requested is not an unexpected requirement but rather one brought forward to the current stage of the process.

Once the environmental assessment report is approved by the Minister, the permitting process enters the regulatory phase, conducted by the Mackenzie Valley Land and Water Board with input from territorial and federal agencies, in which road permits are issued by the Water Board and by Parks Canada. These permits will incorporate the recommended mitigation measures included in the EA Report.

The proposed All Season Road follows the general alignment of the already permitted winter road, while locally adjusting the route to accommodate for terrain, site characteristics, and road specifications more suitable and preferred for an All Season Road. The road from the mine to kilometre 37.4 is permitted for all season use but needs upgrading along this section, including minor realignments and new watercourse crossings.

Canadian Zinc plans to construct the road over a period of three years. Prior to construction activities, the Company plans to conduct geotechnical field investigations leading to detailed road design plans and award construction contracts. The plan is to build a winter road in the first winter season to support road construction activities. The first winter road will also be used for transporting equipment, materials and diesel fuel to site for mine construction.

Development of the All Season Road will enable the transportation of concentrates, outbound, and supplies, inbound, spread throughout the year reducing the need for a large inventory of supplies on site. The All Season Road will also have environmental and safety benefits as with the trucking spread out over the year, there would be less traffic volume and avoiding possible congestion in winter, which will lower the risk of accidents or spills.

The road will also have the potential to reduce energy costs and enable the use of more environmentally friendly alternative energy sources, as local gas fields in the Northwest Territories could be a source of LNG which has the potential to reduce reliance on diesel fuel, and thereby further reduce environmental impacts.

2012 Preliminary Feasibility Study

In June 2012, a Preliminary Feasibility Study prepared by SNC-Lavalin Inc. of Vancouver was submitted to the Company. The report contained capital cost estimates for the rehabilitation and upgrading of the mill, power plant and water treatment plant, and for new water storage ponds. It included an engineering procurement and construction management plan, as well as working cost estimates for mining, processing and transportation. A comprehensive cash flow model was designed to estimate the economics of the proposed operation.

A Technical Report by AMC Mining Consultants (Canada) Ltd. dated effective June 15, 2012 was filed on SEDAR on August 9, 2012, and subsequently filed on EDGAR, and revised to incorporate post-tax results and filed on SEDAR on July 23, 2014. The revised report is titled "*Prairie Creek Property, Northwest Territories, Canada, Technical Report for Canadian Zinc Corporation*". The Qualified Persons responsible are J. M. Shannon, P. Geo., AMC Mining Consultants Ltd.; D. Nussipakynova, P. Geo., AMC Mining Consultants Ltd.; JB Hancock, P. Eng., Barrie Hancock & Associates Inc.; and F. Sveinson, P. Eng., SNC-Lavalin Inc.

The Preliminary Feasibility Study was based on a Mineral Reserve of 5.2 million tonnes averaging 9.4% zinc, 9.5% lead and 151 g/t silver, calculated from an AMC June 2012 Mineral Resource estimate of 5.4 million tonnes averaging 10.8% zinc and 10.2% lead with 160 g/t silver and an Inferred Resource of 6.2 million tonnes averaging 14.5% zinc, 11.5% lead, 0.57% copper and 229 g/t silver (see AMC Technical Report filed on SEDAR).

The 2012 Preliminary Feasibility Study included a number of recommendations for further work and studies to optimize the Prairie Creek Project, including detailed mine planning, construction engineering, transport efficiencies, reducing start-up time and addressing working capital requirements, and specifically:

- Undertaking additional drilling programs, particularly towards the north end of the deposit, to increase the confidence level in the estimated resources and reserves and to identify additional resources.
- Modifying the mine plan to include increased resources and identify areas of the mine amenable to lower cost bulk mining methods.
- Use of a form of longhole / sublevel stoping rather than cut and fill in zones of wider mineralization which could reduce operating costs, increase mine productivity and allow for more tailings to be stored underground with less cement required during backfill.
- Examination of opportunities to improve efficiencies in transport, scheduling and logistics
- Review of opportunities for early completion of construction, engineering and mine development programs to reduce start-up times required.
- Undertaking geotechnical drilling to confirm ground support requirements and stability control during operations.
- Preparation of a mine dewatering plan.

Optimization 2014/2015

In order to address the recommendations of the 2012 PFS, and move the Prairie Creek Project towards full feasibility for financing, Canadian Zinc embarked on a series of optimization projects in late 2013, which continued throughout 2014 and into 2015. The main objectives have been to improve the project economics by increasing the mine life; defining, with feasibility level accuracy, the capital cost required to place the mine into production, refining the projected costs to operate the mine; and developing a transportation plan and marketing strategy for all of the Prairie Creek concentrate production.

New Mine Plan

During 2014, the Company engaged AMC Mining Consultants to undertake an underground optimization study of the mine with a view to reducing the initial cost of mine development, improving the mining methods, minimize mine operating costs and incorporate results of recent exploration drilling programs into an updated mineral

resource estimate. AMC also undertook a number of underground mine studies, including a geotechnical assessment to determine the optimum mining methods for use in the design of the new mine plan, and underground ventilation and backfill studies were also completed.

AMC also completed a geotechnical analysis of the existing underground workings and concluded that longhole stoping methods were a viable and preferable mining method for the project.

An updated mineral resource estimate was prepared by AMC in March 2015 based on a newly constructed and revised and more detailed geological wireframe block model, developed over the previous year, which defines and constrains the mineralized system for inclusion in the new mine plan. The new resource estimate, which also included results from additional drilling and underground sampling not previously included, demonstrated an increase in overall resource tonnages in the Measured plus Indicated and in the Inferred categories

- Total Measured and Indicated Resource tonnages increased by 21% to 6.5 million tonnes at combined grade of approximately 20% Pb and Zn with 150 g/t Ag, details of which include:
 - an 11% increase in Main Quartz Vein tonnage to 4.1 M tonnes grading 12.4% Pb, 11.2% Zn, 199 g/t Ag;
 - an increase in Stockwork tonnage to 1.4 M tonnes grading 4.0% Pb, 7.1% Zn, 63 g/t Ag from the previous stockwork estimate of 410,000 tonnes grading 3.7% Pb, 7.7% Zn, 69g/t Ag;
 - a more constrained classification of Stratabound mineralization has shifted the previously reported tonnage from the Measured category to the Indicated category and decreased the tonnage by 17% to 1.1 M tonnes grading 5.4% Pb, 10.8% Zn, 55 g/t Ag.
- Total Inferred Resource tonnages increased by 13% to 7.1 M tonnes grading 9.6% Pb, 11.7% Zn, 177 g/t Ag from 6.2 M tonnes grading 11.5% Pb; 14.5%Zn, 229 g/t Ag.

Underground Exploration Program 2014 / 2015

The contract for the initial underground exploration and development program at the Prairie Creek Mine was awarded to Procon in October 2014.

The contract was awarded to Procon following a tendering process which included a number of major mining contractors with the objective of optimising mine development and operating costs related to the Prairie Creek Mine. This involved the creation of a comprehensive mine tender package and an underground site visit to Prairie Creek by all prospective contractors, which led to tenders being developed by the contractors and bids submitted which were subsequently assessed by the Company.

In preparation for Procon's winter underground exploration program, a diesel airlift was completed utilizing the DHC-5 Buffalo aircraft to bring in approximately 200,000 litres of diesel fuel to support operations. A subsequent airlift of mining equipment and supplies using the same aircraft was also completed.

The Prairie Creek Mine exploration and development program was divided into stages.

The first stage was to re-open access to the underground by dewatering and re-installing electrical and ventilation services to the 650 metre-long decline which is located at the end of the 870m underground level. Rehabilitation of the underground workings near the 930m level portal area was completed by removing all old timbers and bolting and shotcreting the area. The portal area at the 930m level also contains the primary ventilation fan which distributes air to the lower level. Further rehabilitation of some manway raises and refuge stations is also planned.

During dewatering of the decline hydrological monitors were installed in the 870m level bedrock walls to measure groundwater aquifer flows. Data from this monitoring program will provide necessary information to predict future underground water pumping requirements and plan water management.

After completion of the rehabilitation stage, Canadian Zinc began an exploration diamond drill program from underground drill stations located at the end of the decline, with the objective of upgrading part of the currently inferred resources to an indicated category.

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 drilling was completed on four, 50-metre sections.

The results of the 2015 underground exploration drilling program were 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 were met.

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.

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.

New Mineral Resource Estimate September 2015

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 September 2015 Prairie Creek mineral resource estimate was completed by AMC [Gregory Z. Mosher P. Geo., Qualified Persons as defined by NI 43-101] and reported in the Company's September 17, 2015 press release. AMC also completed the previous mineral resource estimates in 2012 and March 2015. The Mineral Resource estimate is based on assays from all underground channel samples and surface and underground drill core collected by CZN since 1992.

The mineralization at Prairie Creek Mine occurs within three different styles namely; the MQV, which is the high grade steeply dipping fault structure that hosts the majority of mineralization; the Stockwork Zone ("**STK**"), which

is a series of narrow high grade veins occurring at an oblique angle to the Main Quartz Vein; and the SMS, which occur as a thick pyrite-rich replacement-type deposit cut by the MQV.

A single block model was created to encompass the three mineral domains. Block values were estimated using ordinary kriging and the inverse distance squared (ID²) method. Grades for silver, lead, zinc, copper, arsenic, cadmium, iron, mercury, lead oxide, antimony, and zinc oxide were interpolated into the block model in a single pass. Mineral Resources were classified on the basis of the number of supporting data and their distance from the block centroid, with minor amendments to maintain coherence of block classification. Bulk density values were also interpolated into the block model but these values consistently understated the bulk density of the mineralization as determined by regression equations. Therefore, the interpolated values were replaced by calculated values.

The summary results of the 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% Zn-Eq based on prices of \$1.00/lb for both zinc and lead, and \$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 main differences between the 2015 and the 2012 resource estimates are attributed to:

- Including data from 50 additional diamond drill holes and underground chip samples.
- More constraining factors used in the 2015 estimation, including block size, interpolation and minimum number of samples used.
- The 2015 Mineral Resource was estimated by ordinary Kriging; the 2012 Mineral Resource was estimated using inverse distance squared.
- The 2015 estimate used a regression equation to estimate bulk densities; the 2012 estimate used interpolated bulk density values and a single fixed value for the STK zone.
- The 2015 block model incorporated LIDAR survey data which improved the accuracy in surface control when incorporating the new drill/chip data.
- The geological interpretation was revised to subdivide the Main Quartz Vein into two en-echelon bodies.
- The total Inferred Mineral Resource was estimated with a 13% higher tonnage but at a lower grade as a result of using more constraining geological factors and more minimum sample points.

2016 Preliminary Feasibility Study

An updated 2016 Prefeasibility Study, based on optimization work undertaken over the prior three years, was completed by AMC Mining Consultants (Canada) Ltd., of Vancouver, Canada, in conjunction with Tetra Tech Inc. (Tetra Tech), Vancouver, on behalf of Canadian Zinc Corporation, in March 2016. The 2016 PFS supersedes the 2012 Prefeasibility Study completed by SNC Lavalin.

The 2016 PFS update was undertaken to incorporate the optimization work completed over the previous three years, including increased resources and longer mine life derived from the 2015 underground exploration program, 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.

A Technical Report (the “**2016 Technical Report**”), entitled “*Prairie Creek Property Prefeasibility Update NI 43-101 Technical Report*”, effective March 31, 2016, was prepared by AMC with contributions from Tetra Tech Inc. and Canadian Zinc consultants and personnel (collectively “the Authors”), in accordance with NI 43-101 and filed on SEDAR and EDGAR.

The 2016 Technical Report originally filed with SEDAR on May 12, 2016, was subsequently amended and restated to correct an overstatement of the gross smelter revenue in the life-of-mine economic model included in its 2016 Preliminary Feasibility Study and the Amended and Restated Technical Report was filed on SEDAR on September 30, 2016 and EDGAR on October 3, 2016. All other inputs into the economic model and all technical aspects of the 2016 Preliminary Feasibility Study remain unchanged, including all mineral resource and reserve estimates, mining plans and production rates and estimates of capital and operating costs and assumptions on concentrate treatment charges and penalties.

This 2016 Technical Report (subsequently amended and restated September 30, 2016) supersedes the June 15, 2012 Technical Report (subsequently revised July 23, 2014).

The 2016 PFS was based on optimization work completed over the previous three years, including the 2015 underground exploration program at Prairie Creek which increased total Measured and Indicated Resource tonnages by 32%.

The 2016 PFS indicated 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.

Mineral Reserve Estimate

The September 2015 Mineral Resource estimate, following completion of the successful 2015 underground exploration program which increased the Measured and Indicated Mineral Resource tonnages by 32% was subsequently converted into a new Mineral Reserve estimate 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 Reserve tonnage compared to the 2012 PFS. The March 2016 estimation of Mineral Reserves by AMC is shown below.

Mineral Zone	Classification	Tonnes (t)	Silver (g/t)	Lead (%)	Zinc (%)	Zinc Equivalent
Main Quartz Vein (MQV)	Proven	1,199,288	186.00	10.08	12.09	30.70
	Probable	3,966,848	152.62	10.52	8.58	26.79
	Total	5,166,136	160.37	10.42	9.39	27.70
Stockwork (STK)	Proven	174,656	105.01	4.80	11.48	20.83
	Probable	1,297,665	60.72	3.41	6.64	12.87
	Total	1,472,322	65.97	3.57	7.22	13.81
Stratabound (SMS)	Proven	-	-	-	-	-
	Probable	965,132	46.09	4.38	9.03	16.12
	Total	965,132	46.09	4.38	9.03	16.12
TOTAL	Proven	1,373,944	175.70	9.41	12.02	29.45
	Probable	6,229,646	116.97	8.09	8.24	22.24
	Total	7,603,590	127.58	8.33	8.93	23.54

2016 Mineral Reserves are as of 31 March, 2016 and based on a design cut-off grade of 12% ZnEq for LHOS, 11% ZnEq for DAF, an incremental stoping cut-off grade of 9.7% ZnEq and 7.1% ZnEq for development ore.

Cut-off grades are based on a zinc metal price of \$1.00/lb, recovery of 75% and payable of 85%, a lead metal price of \$1.00/lb, recovery of 88% and payable of 95%, and a silver metal price of \$17/oz, recovery of 92% and payable of 81%.

Exchange rate used is C\$1.25 = US\$1.00.

Average unplanned dilution and mining recovery factors of 14% and 95%, respectively, for LHOS, and 6% and 95%, respectively, for DAF are assumed.

The March 2016 Prairie Creek Mine Mineral Reserve estimate was prepared by H. A. Smith, P.Eng, Qualified Person, as defined by NI 43-101 of AMC Mining Consultants (Canada) Ltd.

Recommendations in 2016 Technical Report

As part of its assessment in the 2016 Technical Report, AMC recommended that:

- A front-end engineering and design phase to complete detailed engineering and IFC drawings to definitive feasibility study levels to obtain fixed pricing from construction contractors.
- Early completion of site clearance construction, engineering and mine development programs to accelerate start-up times. This would include preliminary earthworks on the water storage pond, waste rock pile, building foundations, portal construction and upgrades of existing infrastructure in tandem with detailed engineering of new structures.
- 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.
- Further metallurgical tests to optimize the process flowsheet, particularly reagent regimes, including variability tests on the samples from various mineralization zones and ore types.
- Further study of on-site or off-site processes to reduce deleterious components of concentrates, thereby reducing smelter penalties.
- Studies to optimize the mine operation by automation and adoption of advanced technology.
- Additional underground paste backfill strength studies.
- Additional hydrology studies to better design, size and cost water management facilities.

2017 Definitive Feasibility Study

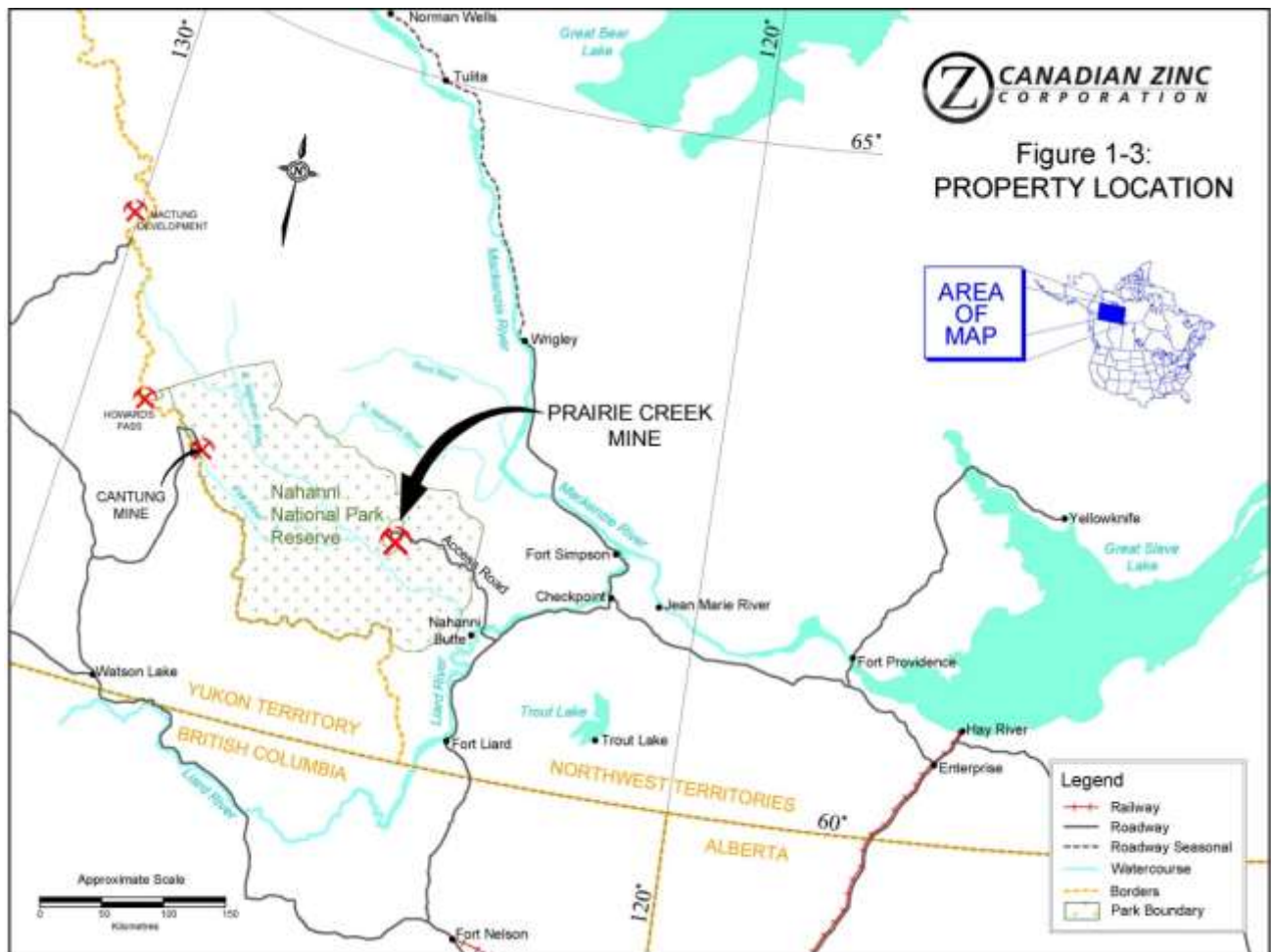
Discussions held with financial institutions throughout 2016, confirmed that the opportunity of raising project debt financing to complete the development and construction of the Prairie Creek Project would be enhanced by a Definitive Feasibility Study.

In January 2017, the Company engaged AMC and Ausenco to complete a DFS to support the debt financing of the Project. This comprehensive study was designed to address all geological, engineering, operating, economic, environmental and other relevant factors in the required detail to serve as the basis and support for a financial institution to finance the development of the Project to production.

A Technical Report (the “**2017 Technical Report**”), entitled “Prairie Creek Property Feasibility Study NI 43-101 Technical Report”, effective September 28, 2018, was prepared by AMC with contributions from Ausenco, Global Mineral Resource Services Ltd., Allnorth Consultants Limited and F. Wright Consulting Inc. (collectively “the Authors”), in accordance with NI 43-101 and filed on SEDAR and EDGAR.

The 2017 Technical Report supersedes the 2016 Technical Report (subsequently revised September 30, 2016).

2017 Technical Report on Principal Property – Prairie Creek, Northwest Territories



The information relating to the Prairie Creek Property in the following sections of this Annual Report has been extracted from the 2017 Technical Report effective September 28, 2017, filed on SEDAR on October 31, 2017, and filed on EDGAR on November 6, 2017 prepared by QPs, as defined by NI 43-101, H. A. Smith, P.Eng. of AMC Mining Consultants Ltd., L. P. Staples, P. Eng. Of Ausenco Engineering Canada Inc., S. Elfen of Ausenco Engineering Canada Inc., G. Z. Mosher, P. Geo. Of Global Mineral Resource Services Ltd., F. Wright, P. Eng. Of F. Wright Consulting Inc., and D. Williams, P. Eng. of Allnorth Consultants Limited.

For readers to understand the technical information in this Annual Report they should read the 2017 Technical Report (available on SEDAR at www.sedar.com and EDGAR at www.sec.gov under the Company's profile) in its entirety, including all qualifications, assumptions and exclusions that relate to the technical information set out in this Annual Report. The 2017 Technical Report is intended to be read as a whole, and sections should not be read or relied upon out of context. The technical information in the 2017 Technical Report is subject to the assumptions and qualifications contained in the 2017 Technical Report.

The Company has included these website addresses in this Form 20-F Annual Report only as inactive textual references and does not intend them to be active links to these websites. The contents of these websites, and information accessible through them, do not form part of this Annual Report.

“Introduction

This Technical Report on the Prairie Creek Property, NWT, Canada (the Property), has been prepared by AMC Mining Consultants (Canada), Ltd. (AMC) of Vancouver, Canada, in conjunction with Ausenco Engineering Inc. (Ausenco), Vancouver, with contributions by Global Mineral Resource Services Ltd., Allnorth Consultants Limited and F. Wright Consulting Inc., on behalf of Canadian Zinc Corporation (CZN) of Vancouver, Canada in accordance with the requirements of National Instrument 43-101 (NI 43-101) “Standards of Disclosure for Mineral Projects”, of the Canadian Securities Administrators (CSA) for Filing on CSA’s “System for Electronic Document Analysis and Retrieval” (SEDAR).

This report discloses the results of a Feasibility Study (“2017 FS”) based on the 2015 Mineral Resources, updated Mineral Reserves, updated metallurgy test work, ongoing optimization and other engineering studies completed since the Prefeasibility Study 2016 (“2016 PFS”) AMC Report dated 30 September 2016.

Economic summary

This Feasibility Study indicates a base case Pre-Tax Net Present Value (“NPV”) of \$344M using an 8% discount rate, with an Internal Rate of Return (“IRR”) of 23.8%, and a post-tax NPV of \$188M with an IRR of 18.4%. Corresponding pre-tax and post-tax payback periods from mill start-up are 4.4 and 4.6 years respectively. The Base Case metal price assumptions used in the model are: Zn US\$1.10/lb., Pb US\$1.00/lb., Ag US\$19.00/oz., with a foreign exchange rate of C\$1.25=US\$1.00.

The pre-tax and post-tax net present values and internal rates of return, at 5% and 8% discount rates, are illustrated in the table below at a Canadian / US dollar exchange rate of C\$1.25=US\$1.00, except where noted. The table also illustrates the sensitivities of the Prairie Creek Project to zinc, lead and silver prices and to the Canadian / US dollar exchange rate.

Table ES.1.1 Economic sensitivities of the Praire Creek Project

Metal prices		Pre-tax				Post-tax ¹			
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	139	10	(39)	5.5	75	(29)	(68)	3.3
0.90	18.00	452	211	120	14.4	282	109	43	10.6
1.10/1.00	19.00	899	497	344	23.8	562	291	188	18.4
1.20/1.00	19.00	1,033	582	410	26.2	644	344	230	20.4
1.10	20.00	1,077	614	437	27.3	671	364	247	21.3
1.20	21.00	1,390	815	596	32.7	863	489	346	25.7
1.30	22.00	1,703	1,017	755	37.7	1,053	612	444	29.8
1.10/1.00 ²	19.00 ²	1,208	696	501	29.5	752	416	287	23.1
1.20/1.00 ²	19.00 ²	1,355	789	574	31.9	842	473	332	25.0
1.10/1.00 ³	19.00 ³	589	298	188	17.4	371	166	88	13.2

Using the base case metal prices and exchange rate of C\$1.375 = US\$1.00 would increase the pre-tax NPV8% to \$500M and the IRR to 29.5% relative to the base case. Using a zinc price of US\$1.20 per lb., with all other base case inputs and a foreign exchange rate of C\$1.25 = US\$1.00, the pre-tax NPV8% would be \$410M with an IRR of 26.2%. Using a zinc price of US\$1.20 per lb., with all other base case inputs and a foreign exchange rate of C\$1.375 = US\$1.00 would increase the pre-tax NPV8% to \$574M and the IRR to 31.9% relative to the base case.

Using the base case metal prices and exchange rate of C\$1.125 = US\$1.00, the pre-tax NPV8% would be \$188M with an IRR of 17.4%, and the post-tax NPV8% would be \$88M with an IRR of 13.2%

During the first 10 years of concentrate production the 2017 FS indicates average annual production of approximately 65,000 tonnes of zinc concentrate and 72,000 tonnes of lead concentrate, containing an average of approximately 95 million pounds of zinc, 105 million pounds of lead and 2.1 million ounces of silver.

The 2017 FS indicates average annual earnings before interest, taxes, depreciation and amortization ("EBITDA") during the first 10 full years of production as \$111M per year, and cumulative EBITDA of \$1,294M over the projected LOM of 15 years, using base case metal prices.

Location, ownership, and history

The Property consists of two surface leases and 12 mining leases totalling 7,487 hectares in area. The Property is situated in the Northwest Territories approximately 500 km west of Yellowknife in the Mackenzie Mountains at an elevation of 850 m above mean sea level. The Property is surrounded by, but is not included in, the Nahanni National Park Reserve (NNPR).

Year-round access to the Property, at this time, is provided by aircraft utilizing a 1,000 m gravel airstrip immediately adjacent to the camp. The Property has also, in the past, been accessible by a winter road that extended 180 km from the Property to the Liard Highway 7; most of this access road route is now planned to be all season and will be constructed to support full-time operation of the mine.

The Prairie Creek Property contains a high-grade, silver-lead-zinc-copper vein, and other lead-zinc deposit types that have been explored since the early 1900s and were developed by Cadillac Explorations Limited (Cadillac) from 1966 to 1983. The Cadillac Mine was targeting silver production and was developed and fully permitted. A processing plant, along with other surface infrastructure, was built in the early 1980s. A sudden decline in metal prices resulted in the closure of the Mine in 1983 prior to commencement of production. San Andreas Resources Corporation exercised its option on the Property in the 1990s and, through a series of agreements, together with a name change to Canadian Zinc Corporation in 1999, established an increasing interest in the Property, culminating with the acquisition of a 100% interest in the Property and mine site in 2004, now referred to as the Prairie Creek Mine.

Geology and mineralization

The Property is located within a westward-thickening wedge of sedimentary carbonate rocks of mid-Proterozoic to mid-Jurassic age that was deposited along the paleo-continental margin of western North America (Mackenzie Platform). The Prairie Creek Embayment paleo-basin is interpreted to have developed as a half-graben controlled by a north-trending fault with down-drop to the west.

In the immediate area of the Property, north-south trending faulting and folding is apparent. The most significant fold structure is the fault-bounded, north-south doubly-plunging Prairie Creek anticlinal structure, which is the host to the Prairie Creek mineralization.

Four styles of base metal mineralization have been identified on the Property: quartz vein, stratabound, stockwork and Mississippi Valley-type. Only the first three styles have been found in potentially economic quantities to date. Base metal mineral showings occur along the entire 16 km north to south length of the anticline, covered by the main group of mining leases.

The most significant style of mineralization is the quartz vein-type, on which the underground workings have been developed, containing the bulk of the currently defined Mineral Resource. The Main Quartz Vein (MQV) has been exposed in detail by underground development and diamond drilling over a strike length of 2.1 km (Main Zone). The MQV trends at an azimuth of approximately 20° and dips between vertical and 40° east, with an average dip of 65°. The MQV consists of massive to disseminated galena and sphalerite with lesser pyrite and tennantite-tetrahedrite in a quartz-carbonate-dolomite sheared matrix. The galena and tennantite-tetrahedrite also carry

economically significant silver values. This vein style of mineralization has been located, through surface trenching, throughout the entire 16 km length of the mining leases.

Stockwork (STK) mineralization occurs as a series of narrow, massive sphalerite-galena-tennantite veins striking at about 40° azimuth that occupy tensional or dilatant-type fractures within a structural offset translation zone of the MQV. This mineralization has developed in sub-vertical tensional openings formed obliquely to, but also related to, the initial primary fault movement along the main vein structure. STK has been exposed in both diamond drilling and underground development.

Stratabound Massive Sulphide (SMS) mineralization occurs intermittently at the base of the trend of the Prairie Creek vein system over a strike length of more than 3 km. SMS mineralization occurs as semi-massive sphalerite-galena-pyrite replacement located close to both the vein system and the axis of the Prairie Creek antiform, but has not yet been intersected by underground development. The MQV structure carries fragments of the SMS indicating the vein mineralization to be younger in age.

Mississippi Valley-type (MVT) lead-zinc mineralization is exposed on the Property within surface showings of rock formations marginal to the basin and consists of cavity-filling type breccias in dolostone with host fragments rimmed with colloform sphalerite-marcasite-galena healed with carbonate. This type of mineralization does not form part of the current resource.

Exploration and data management

CZN, including its former entity as San Andreas Resources Corporation, has been involved with mineral exploration activity across the Prairie Creek Property since 1992. Somewhat limited exploration drilling had occurred and most of the existing underground development had been undertaken prior to CZN's initial involvement. From 1992 to the end of 2015, CZN completed 296 surface and underground exploration diamond drillholes with an aggregate length of 78,587 m. In addition, 1,032 underground channel samples forming 365 composites from the three existing underground levels have been collected and analysed.

The main exploration and underground development work has been focused on the Main Zone mineralization, where approximately 80% of the total drilling has been carried out.

Mineral Resource estimate

The most recent Mineral Resource estimation was undertaken by AMC and announced in a press release dated 17 September 2015. It followed completion of the successful 2015 underground exploration program at Prairie Creek and resulted in an increase in Measured and Indicated Mineral Resource tonnages of 32%. Upon further review of the Mineral Resource, and since there were no changes to the database within the resource area, the same Mineral Resource Estimate was used as the basis for the 2017 Feasibility Study.

A single block model was created to encompass the three mineral domains: MQV, STK, and SMS. The summary results of the Mineral Resource estimate for the three zones combined, at a cut-off of 8% Zn Equivalent (ZnEq), are shown below.

Table ES.1.2 September 2015 Mineral Resources 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	7,049,000	166	7.7	11.3

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 zinc, 89% for lead, and 93% for silver.

Average payables of 85% for zinc, 95% for lead, and 81% for silver.

$ZnEq = (grade\ of\ Zn\ in\ \%) + [(grade\ of\ lead\ in\ \% * price\ of\ lead\ in\ US\$/lb * 22.046 * recovery\ of\ lead\ in\ \% * payable\ lead\ in\ \%) + (grade\ of\ silver\ in\ g/t * (price\ of\ silver\ in\ US\$/Troy\ oz / 31.10348) * recovery\ of\ silver\ in\ \% * payable\ silver\ in\ \%)] / (price\ of\ zinc\ in\ US\$/lb * 22.046 * recovery\ of\ zinc\ in\ \% * payable\ zinc\ in\ \%)$.

\$ Exchange rate = 1 C/US.

Numbers may not compute exactly due to rounding.

The September 2015 Prairie Creek Mine Mineral Resource estimate was completed by Gregory Z. Mosher, P.Geo, Qualified Person, as defined by NI 43-101, of Global Mineral Resource Services Ltd.

Mineral Reserve estimate

The 2017 FS has a new Mineral Reserve estimate of 8.1 million tonnes of Proven and Probable Reserves at a combined grade of 16.75% Pb and Zn plus 124 g/t Ag, which represents a 6% increase in Mineral Reserve tonnage compared to the 2016 PFS.

The increase is due to marginally lower Zinc Equivalent cut-off grades, reflecting the final 2016 PFS operating cost estimate, a small increase in projected Zn prices and further optimization of the stoping design. The 2017 Mineral

Reserves have slightly lower average metal grades than those estimated in the 2016 PFS, but increased overall metal content. The estimation of Mineral Reserves by AMC is shown in Table ES.1.3.

Table ES.1.3 August 2017 Mineral Reserves Prairie Creek Mine

Mineral zone	Classification	Tonnes (t)	Silver (g/t)	Lead (%)	Zinc (%)	ZnEq (%)
Main quartz vein (MQV)	Proven	1,524,171	161.43	8.90	10.22	26.84
	Probable	4,190,187	144.76	9.96	8.20	25.70
	Total	5,714,358	149.21	9.67	8.74	26.00
Stockwork (STK)	Proven	188,173	108.19	4.84	11.56	21.22
	Probable	1,188,366	63.81	3.54	6.86	13.46
	Total	1,376,539	69.88	3.72	7.50	14.52
Stratabound (SMS)	Proven	-	-	-	-	-
	Probable	980,566	54.90	5.06	9.64	17.97
	Total	980,566	54.90	5.06	9.64	17.97
Total	Proven	1,712,344	155.58	8.45	10.36	26.22
	Probable	6,359,119	115.78	8.00	8.17	22.22
	Total	8,071,463	124.22	8.10	8.64	23.07

The Mineral Reserves are as of 2 August 2017, and based on a design cut-off grade of 11% ZnEq for longhole open stoping ("LHOS"), 11% ZnEq for mechanized drift-and-fill ("DAF"), an incremental stoping cut-off grade of 10% ZnEq, and 6% ZnEq cut-off grade for development ore. Cut-off grades are based on a zinc metal price of US\$1.00/lb, recovery of 75% and payable of 85%; a lead metal price of US\$1.00/lb, recovery of 88% and payable of 95%; and a silver metal price of US\$18/oz, recovery of 92% and payable of 81%. Exchange rate used is C\$1.25=US\$1.00. Average planned dilution, unplanned dilution and mining recovery factors of 13%, 11% and 95%, respectively, for LHOS; and 18%, 6% and 98%, respectively, for DAF are assumed.

The August 2017 Prairie Creek Mineral Reserve estimate was prepared by H. A. Smith, P.Eng., Qualified Person, as defined by NI 43-101, of AMC Mining Consultants (Canada) Ltd.

These Mineral Reserves are based upon a Measured and Indicated Resource of 8.7 million tonnes grading 9.5% Zn; 8.9% Pb and 136 g/t Ag, and represent an initial mine life of 15 years.

Prairie Creek also hosts an additional Inferred Mineral Resource of 7.0 million tonnes grading 11.3% Zn, 7.7% Pb, and 166 g/t Ag, which has the potential, through further exploration and development, to be upgraded to Measured or Indicated Mineral Resources and increase the initial 15 year mine life.

Mining

The mine will be an underground operation, based primarily on the MQV and mining an average of 1,600 tonnes per day at steady state, over a 15-year mine life (16 years including development prior to mill start-up). During full production, approximately 584,000 tonnes of ore per year will be mined.

Adits were previously driven on three levels: the 970 mL, the 930 mL, and the 883 mL, totalling approximately 5 km of underground workings. Access for mining will be through an enlarged 883 mL portal and adit, with secondary access through the 930 mL. The 970 mL penetrates the topmost limits of the MQV only and is not part of the current mine plan. As mining on the MQV progresses to depth, ore mined will be supplemented by ore from the STK and SMS deposit zones.

Mining in the MQV and STK zones will be by longhole open stoping (LHOS) with paste backfill. Mechanized drift-and-fill (DAF) will be used for the SMS ore, also with paste fill. The plan and objective is to use 100% of flotation tailings as backfill.

Ground conditions in existing development underground are generally good and the existing workings have stood unsupported for over thirty years with minimal bolting. CZN commissioned a geotechnical program at the end of 2013, including mapping and examination of drill core. This program and subsequent assessment in both PFS and FS studies indicated that the ground is amenable to longhole open stoping, with the results of the assessment being used for rock support design.

The 2017 FS mine plan envisages slashing out of some of the existing development and establishing two spiral ramps to access deeper levels. Major goals in development and production sequencing are to access higher grade sulphide ore as early as practicable, while minimizing development costs as much as possible.

The 2016 PFS targeted both the higher grade oxide above the 883 mL and the higher grade sulphide below this horizon, which in turn had lower recoveries. The new mine plan increases the mining rate to 1,600 tonnes per day, versus 1,350 tonnes per day in the 2016 PFS. The existing 883 mL adit will be enlarged to 5 x 5 m and access to the ore below the 883L will be via the twin ramps. A single ramp will provide access to the ore above 883 mL.

Priority will be given to ramp development to establish dewatering sumps in advance of mining. Ore drifts will be driven on the MQV north and south from the ramp access points to the strike limits of the ore body. Stoping will begin at the ore limits and retreat to the ramp access points. Pre-production development is anticipated for approximately 15 months prior to mill start-up. This work will be performed by a contractor. On completion of the contracted scope of work, CZN will have the option of taking over the work itself or continuing with contract mining.

Managing groundwater will be a key aspect of the operation. At peak levels, it is estimated that the mine will produce up to 200 L/s of water, but with the majority of this water to be collected through advanced dewatering boreholes and pumped to surface, and avoiding any contamination from mine workings. All water discharged from the mine will either be sent to the mill as process water, pumped into the existing impoundment pond that was originally planned for tailings storage and which will now be modified into a two-cell water storage pond, or directly treated in a new water treatment plant.

CZN anticipates that, because of the high concentrate mass pull, even with 100% disposal of tailings underground as paste fill, some shortfall in backfill volume will occur. Any shortfall will be made up with Dense Media Separation (DMS) float material or waste rock. When no stopes are available for backfill, filtered tailings will be stored in an active tailings building or in an adjacent passive stockpile. Development waste and DMS float material will be stored in a newly created waste rock pile north of the plant site away from the Prairie Creek floodplain.

The mine will be ventilated by an exhausting type ventilation system. The primary exhaust fans will be located on 930 mL, one adjacent to the 930 portal and the other at the base of the existing raise to surface. Fresh air will be drawn entirely through the 883 portal where a duplex propane and liquified natural gas (LNG) fired mine air heating system will be installed to heat the air during the winter months. The planned airflow through the mine is 142 m³/s, with fresh air being distributed through the ramps and exhausting to internal return air raises feeding up through to the 930 mL exhaust fans. For level ventilation, fresh air will be delivered along each ore drive by auxiliary fan and duct installations. The exhaust air raises will be fitted with ladderways to serve as the second means of egress through to the 930 mL, where egress will be through the 930 mL portal.

Metallurgy and processing

Metallurgical tests conducted to date on MQV and SMS material have proved positive, as have initial metallurgical tests on STK material. Reasonably good metal recoveries have been achieved with both sulphide and oxide material with a cyanide-free reagent suite. A new metallurgical testing program was completed in 2017, focusing on MQV material, which had a lower oxide component than historical samples, and demonstrated improved recoveries and metallurgical performance based on a simplified process flow sheet, part of which is incorporated into this study.

According to the test results on MQV composited material only, the overall average grade of the blended lead sulphide / oxide concentrate is anticipated to be 65% lead, with an approximate 90% average recovery of lead in the plant feed. The zinc sulphide concentrate is estimated to be 59% zinc, with an approximate 90% recovery of zinc in the plant feed. An average of 86% of the total silver values in the plant feed is estimated to be recovered within the lead and zinc concentrates. Impurities of antimony, arsenic and mercury are expected to report to both concentrates.

A processing plant / concentrator was substantially constructed prior to project shutdown in 1982, together with a 1.5 million tonne capacity tailings impoundment, power plant, and water treatment plant. CZN plans to rehabilitate and upgrade the processing plant and site infrastructure.

The current crushing facilities have a 1,750 tpd capacity, with an installed jaw crusher, short-head cone crusher, double-decked screen, and conveyor systems feeding an 1,800 t fine ore bin.

A new dense media separation (DMS) plant, with a nominal feed rate of 1,600 tpd, will be installed downstream of the crushing circuit and is expected to reject an average of approximately 25% of the feed as waste with minimal metal losses. The milling circuit is designed for 1,200 tpd at nominally 80% passing 156 µm. The ROM ore is expected to be softer initially and then harder as the mine develops deeper and an increase in the Bond Work Index is anticipated. As such, a new secondary ball mill (200 kW tyre mill) is planned for installation, costed as sustaining capital after 5 years of operation. Precise timing of this additional milling power will need to be optimized based on the work index progression over time and other economic factors.

The ground material will be subjected to three stages of sequential flotation: lead sulphide flotation followed by zinc sulphide flotation and lead oxide flotation. Each flotation circuit will consist of rougher flotation and multiple-stage cleaner flotation to upgrade the rougher concentrates to marketable grades. The existing regrind ball mill will be refurbished and utilized to further grind the lead sulphide rougher flotation concentrate in order to maximize grade of the final lead sulphide concentrate. The rougher tailings from the lead oxide flotation plant will be discharged as final tailings to the tailings thickener (new equipment) before being pumped to the paste plant. The lead sulphide and lead oxide flotation concentrates will be pumped to the lead dewatering system, while the zinc sulphide flotation concentrate will be sent to the zinc dewatering system. Both dewatering systems will consist of conventional thickening and pressure filtration circuits. The dewatered concentrates will be temporarily stored in the on-site storage facility prior to being loaded for transport to off-site smelters.

The process plant will require new equipment including modernization of the electrical system, addition of a thickener, new flotation cells to complement the existing cells, a concentrate storage and loadout facility and an on-stream analyzer and control system. The new DMS circuit will be added to the north side of the mill and a reagent mixing area and concentrate storage and loadout facility will be added to the south side of the mill building. A new lead oxide circuit will be added to the eastern side of the mill building and will also include space to store reagents. A new paste backfill plant is proposed to be built to the south of the mill building along with an active tailings storage facility.

Site infrastructure

In 1982, the mine was fully permitted and construction almost complete, but never achieved production. The existing site infrastructure is substantial and these facilities will be utilized and upgraded as necessary. This includes upgrading the mill building, administration building, workshops, sewage treatment plant, diesel storage tank farm, warehouses and part of the accommodation facilities. New facilities needed for operations will include the DMS plant, a paste backfill plant, tailings stockpile shed, LNG facility, water treatment plant, lead-oxide building, heated warehouse and concentrate load-out facility.

Four new 2.77 MW dual-fuel powered low-speed power generator units will provide power and heat for the site. These power generator units will be located within the existing mill powerhouse after removal of the obsolete units currently in place, to provide the installed power of 11.1 MW with an expected running load of 6.7 MW. The energy source for the power generation will be provided by a combination of Liquefied Natural Gas (LNG) from the newly installed site LNG storage / vaporization facility and diesel fuel from the existing diesel storage tank farm adjacent to the mill. The FS incorporates a turn-key type power-by-the-hour operation proposal received from the Northwest Territories Power Corporation. The new generators will be outfitted with glycol heat recovery systems in order to maximize energy efficiency. The waste heat from the generators will be used to heat the surface facilities.

Tailings from the mill will be placed permanently underground as paste backfill, produced in a new 55 m³/hr paste backfill plant, and augmented by DMS reject material in the event of any volume shortfall. An active stockpile of tailings will be stored in a building with heating capability next to the paste backfill plant to provide feed to the plant. An adjacent outdoor area will accommodate any additional tailings on a temporary basis. The majority of DMS reject and mine development material will be placed in a newly created waste rock pile facility located north of the mill off the Prairie Creek floodplain and accessed by trucks on a reconstructed internal site road. Although the waste rock is classified as non-acid generating due to its high content of carbonate material, appropriate precautions will be taken to prevent and mitigate any leaching that may occur from surface run-off through the waste rock pile.

A 150-person camp and cookhouse exists on the site, but most of the buildings have deteriorated beyond economical repair. They will be demolished and will be replaced by a modular camp adjacent to the upgraded administration building complex to be used during construction and operations. A portion of the existing accommodation camp will be salvaged and upgraded for re-use during construction.

The site water management plan for the Prairie Creek Mine proposes the reconfiguration of the present tailings impoundment pond into a two-celled water storage pond connected to the mine and mill via piping and to a new water treatment plant. An exfiltration pipe below the bed of Prairie Creek will discharge treated waters and site run-off that collects in the final site pond. Water treatment rates will be based on a load-based water management system incorporating real-time flows measured in Prairie Creek upstream of the site regulated by the existing Water Licence.

Access road and transportation plan

The construction of the process plant and site infrastructure will be initially serviced via a winter road. Site production operations will be supported via an all season road, which has the following benefits but an increased capital cost:

- Decreased working inventory.
- More timely delivery of product and consistent supply of materials.
- Lower logistical risk of transporting concentrate and supplies.
- A smaller trucking fleet throughout the year.
- Facilitates the use of alternative energy sources such as LNG.

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 are producing LNG at this time, which provides an opportunity to reduce reliance on diesel fuel for power generation. 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 lowering the risk of accidents or spills. On 12 September 2017, the Mackenzie Valley Review Board concluded the Environmental Assessment (EA) of the proposed All Season Road to the Prairie Creek Mine by recommending approval to the Federal Minister of Crown-Indigenous Relations and Northern Affairs subject to the implementation of measures described in the EA report.

The current transport logistics system envisages shipping mineral concentrate over an all season road from the mine site in 20 tonne bulk containers. This would involve the creation of a bulk handling load-out facility at the mine and transport by B-line trucks, each carrying two containers along the all season road and highway to Fort Nelson. Containers would be offloaded from the trucks at Fort Nelson and loaded onto four-container-capacity rail flat-cars for transport by CN Rail to the port of Vancouver for shipment to smelters overseas. Inbound freight will be trucked as backhaul over the same route. A marshalling area will be developed in Fort Nelson near the rail siding.

Concentrate marketing

The Prairie Creek Project will produce three types of concentrate: zinc sulphide, lead sulphide and lead oxide. CZN plans to combine the two lead concentrates into one concentrate at the mill site.

Canadian Zinc has signed a Memorandum of Understanding (MOU) with each of Korea Zinc and Boliden for the sale of zinc and lead concentrates. The MOUs set out the intentions of CZN 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 confidential.

The sales agreements will account for 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. 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 based on indicative terms and agreed limits specified in each MOU.

Treatment and refining charges, including deductibles, payable and penalties, vary with smelter location and individual smelter terms and conditions. The Economic Model used in the 2017 FS has been prepared assuming average blended indicative treatment charges of US\$172 per tonne for zinc sulphide concentrates and US\$130 per tonne for lead concentrates, with industry standard penalties, including mercury penalties of US\$1.75 for each 100 ppm above 100 ppm Hg per tonne of concentrate.

Project execution

The mine start-up schedule is significantly influenced by the seasonal weather conditions in the Northwest Territories. Target start-up for commencement of production / milling operations at Prairie Creek Mine is 1 August 2020, with commissioning of the mill for three months prior to this date. The first year of the path to production project schedule mostly comprises detailed on-site and off-site engineering design, initial site / portal preparation, and the completion of permitting and design of the all season road. Later during the first year, procurement of long-lead items would be completed in order to have the required equipment and supplies available to be brought in on the winter road of the second year; thereby to commence main construction, begin mine development, further prepare the site and advance the all season road. The third year would involve continuing mine development, completing site construction, continuing construction of the all season road and commissioning the mill to production. It is projected that a pre-production on-site workforce will peak at approximately 211 people in August of 2019 (Project Year -01).

Mobilization to site will initially be by winter road and air, concurrent with construction of the all season road. The subsequent shipment of concentrates and production supplies will be on the all season road.

Permitting, environmental, and community

The Prairie Creek Mine is located in an environmentally sensitive watershed of the South Nahanni River and proximal to the Nahanni National Park Reserve (NNPR). As a result, particular attention has been paid by the Company and by regulators to potential impacts on water quality that may be caused by Project construction and operations.

CZN currently has a number of permits and licences for both exploration and mine operations issued by the Mackenzie Valley Land and Water Board (MVLWB) under the Mackenzie Valley Resource Management Act. In addition, CZN has a Land Use Permit (LUP) and Water Licence from Parks Canada for the portion of an operations winter road that crosses the NNPR.

The main Licence is the Type "A" Water Licence (MV2008L2-002), which was issued by the MVLWB on 8 July 2013 and permits CZN to conduct mining, milling and processing activities at the Prairie Creek Mine site, use local water, dewater the underground mine and dispose of waste from mining and milling. Other Land Use Permits and Water Licences provide for winter road, mine site and transfer related facilities.

Water Licence MV2001L2-0003 and LUP MV2012C0008 allow CZN to continue with underground exploration prior to operations. LUP MV2012C0002 provides for surface exploration and diamond drilling at sites throughout the Prairie Creek property.

A Land Use Permit and Water Licence for an all season road were applied for in April 2014 to the MVLWB and Parks Canada and were referred to EA with the Mackenzie Valley Review Board. On 12 September 2017 the Mackenzie Valley Review Board recommended to the Federal Minister of Crown-Indigenous Relations and Northern Affairs that the Project proceed to permitting subject to implementation of measures described in the Report of Environmental Assessment.

Prior to the main operating licences being issued in 2013, CZN had been involved in numerous regulatory processes to obtain various Land Use Permits and Water Licences for normal-course exploration and development at the Prairie Creek Mine site.

Innovative water management practices are necessary at the Prairie Creek Mine during operations due to the seasonal nature of the discharge and the receiving environment upstream of a national park. The volume of water for discharge will vary seasonally, being greatest in summer. Flows in Prairie Creek are also variable, being very low in winter and fluctuating in summer. Therefore, storage of water in a large pond on site will be maximized in winter, and treated water discharge will be proportionately tied to creek flows to minimize receiving water concentrations, meet Water Licence limits and protect the ecosystem downstream. A variable load discharge (VLD) approach to water management was developed and accepted during the regulatory process. A Water Licence to operate the mine was issued in 2013 by the MVLWB. The Water Licence will regulate discharge by 'end-of-pipe' effluent quality criteria as well as by VLD to meet receiving water objectives during operations. Real-time flow measurements upstream in Prairie Creek are planned in order to track the allowable load for discharge. A seasonal schedule for treated mine and mill water discharge will apply based on the site water balance; although the actual discharge rates will be based on the daily on-site analysis of treated water sentinel parameters, and on flows in Prairie Creek, which may vary on an hourly basis. Discharge via exfiltration trench below the bed of Prairie Creek will promote mixing and attenuation of parameter concentrations to meet site specific water quality objectives.

In June 2009, the NNPR was expanded to include the entire watershed of the South Nahanni River. However, the Prairie Creek site and a 300-km² surrounding area were excluded from the Park. An amendment to the Canada National Parks Act provided for a right of access through the expanded Park into the Prairie Creek area. Recognizing the need to work closely together, in 2008 CZN and Parks Canada entered into a MOU that formalized the intent of both parties to work collaboratively, within their respective areas of responsibility, authority and jurisdiction, to achieve their respective goals of an expanded NNPR and an operating Prairie Creek Mine. The MOU was renewed in 2015 for another five years.

CZN has completed a detailed socio-economic assessment in support of the Project. The study concluded that the Prairie Creek Mine will be a relatively modest project in a region of the NWT that has limited economic prospects. The majority of the economic and social benefits will be generated through the participation of local labour and businesses in the area, including the communities of Nahanni Butte, Fort Simpson, and Fort Liard.

In 2011, Canadian Zinc signed Impact and Benefits Agreements with each of the Nahanni Butte Dene Band and Liidlii Kue First Nation (Fort Simpson), both in the Dehcho Region. Later that year, CZN negotiated a Socio-Economic Agreement with the Government of the Northwest Territories (GNWT), covering social programs and support, commitments regarding hiring and travel, and participation on an advisory committee to ensure commitments are effective and are carried out.

Employment

Over the course of the construction path to mill production, projected to be initiated in 2018 (Y-02) and to extend into 2020 (Y01), a maximum of approximately 211 people is expected to be employed on site during 2019 (Y-01).

During steady state operations the mine will employ a total of approximately 330 people on-site working in two alternating shifts on a two-week-in / two-week-out basis, including truck operators, with half of the employees being on-site at any one time. An additional 33 personnel, mostly related to trucking, will be employed off-site in the Fort Liard and Fort Nelson areas. Personnel will work a regular rotation on site, with rest periods off site, with transport by charter flights to the existing on-site 1,000 m gravel airstrip. CZN's hiring policy and commitments under its signed Impact and Benefits Agreements are to give preference to qualified local community residents, followed by northern residents. Training programs will be organized to further promote and maximize local aboriginal employment.

Project Metrics

Table ES.1.4 Project metrics – Prairie Creek Mine

Mine and mill parameters		Concentrates			
		Type	10 yr W. Avg. Tonnes	Average grade	Payability
Total ore mined (million tonnes)	8.07	Zinc concentrate	64,800	Zinc: 59%	Zinc: 85%
Mining rate (tonnes / day)	1,600			Silver: 136 g/t³	Silver: 70%
Milling rate (tonnes / day) post-DMS	1,200	Lead concentrate	71,600	Lead: 62%	Lead: 95%
LOM (years)	15			Silver: 800 g/t	Silver: 95%
Mine and mill statistics					
Metal	10 yr ore grade (weighted average)	Ore grade LOM (weighted average)		Mill recoveries LOM (weighted average)	10 yr average annual contained metal
Zinc	8.50%	8.70%		83%	95M lbs⁴
Lead	9.30%	8.10%		88%	105M lbs⁴
Silver	139 g/t	124 g/t		87%	2.1M oz⁴
Project assumptions base case					
Zinc price	US\$1.10/lb	Treatment charges		Exchange rate	C\$1.25:US\$1.00
Lead price	US\$1.00/lb	US\$172/tonne Zn Con		Discount rate	8%
Silver price	US\$19.00/oz	US\$130/tonne Pb Con			
Operating and capital costs					
Operating costs²	LOM \$/t ore mined	Capital costs			\$M
Mining	58	Pre-production capital			253
Processing	47	Contingency			26
Site services	19	Total pre-production capital			279
G&A	30	Sustaining capital			117
Total on-site costs	154	Working capital			36
Transportation¹	69				
Total operating costs²	223				
¹ Includes truck, rail, handling and ocean shipping		³ Subject to a deduction of 3 oz. per tonne of concentrate			
² Does not include treatment, refining charges, royalty		⁴ Total metal contained in both lead and zinc concentrates			
Economic results (LOM)				Pre-tax	Post-tax
Cash flow undiscounted (\$M)				899	562
NPV @ 8% (\$M)				344	188
NPV @ 5% (\$M)				497	291
IRR (%)				23.8	18.4
Payback period (years from first revenue)				4.4	4.6
Average annual EBITDA (\$M)				81	

Capital cost estimates

The general breakdown of the Pre-Production Capital cost estimate for the Prairie Creek Project is indicated in the following table:

Table ES.1.5 Capital cost estimate – Prairie Creek Mine

Description (costs in \$M)	Project year			Total cost
	-02	-01	01	
Mine development	2.6	13.6	21.5	37.7
Site preparation	4.3	12.5	2.6	19.4
Mill process plant	9.0	18.9	3.2	31.1
Paste tailings plant and process	2.9	16.6	3.4	22.9
Indirects including EPCM	10.9	7.8	5.1	23.8
Other site infrastructure	6.7	7.7	1.5	15.9
All season road	13.0	41.6	13.9	68.5
Owner's costs	6.8	15.3	11.5	33.6
Total (excluding contingency)	56.2	134.0	62.7	252.9
Contingency	5.5	12.3	8.2	26.0
Total pre-production capital	61.7	146.3	70.9	278.9

Pre-Production Capital cost refers to capital costs incurred until the first processing of mined ore, and has been estimated at a total of \$252.9M, excluding contingency, and \$278.9M including a contingency of \$26.0M.

Based on proposals received, several capital items will be supplied on a lease-to-purchase basis, including the accommodation camp, paste plant, flotation cells and thickeners. The lease costs of such items incurred during the pre-production period are included in Pre-Production Capital costs, and lease costs incurred after production start-up are included in Sustaining Capital costs.

Contingency for the process plant and site infrastructure portion was estimated using a Monte Carlo simulation model with an overall contingency of 13.2% based on 80% confidence level. Mine development costs are largely based on contractor quotes for the detailed scope of work, but with an overall 13.0% contingency allowance. The all season road estimation used an overall contingency of 8.0% and owner's costs were assigned a contingency factor of 10.0%. The overall Project contingency is 10.3%.

Sustaining capital over the life of the mine has been estimated at \$117M and relates largely to ongoing mine development as the mine is expanded to deeper levels, ongoing maintenance of the all season road, and includes leasing costs of capital items in the amount of \$11M.

Working capital of \$36 million is estimated to be required over the first six months subsequent to the start of commercial production.

Operating cost estimates

The breakdown of the Operating Cost Estimate for the Prairie Creek Mine, on a Canadian dollar per tonne mined basis, is shown in the following table.

Table ES.1.6 Operating cost estimate – Prairie Creek Mine

Total operating cost	(\$/t mined)
Mining	58.23
Milling / processing	46.76
General and administrative	30.32
Site services	18.55
Sub-total	153.86
Transportation ¹	68.73
Total	222.59

1. Includes truck / rail / handling / shipping.

Mining operating costs for the first two years of operation are largely based on contractor quotes. Operating cost estimates for mining beyond the contractor period have been developed from first principles and using direct supplier quotes.

The mining contractor quotes for the first two years of operation, based on a detailed scope of work and schedule, provide a high level of confidence in the estimated mining costs. The indicative proposal from the Northwest Territories Power Corporation to supply turnkey type power generation provides further support in the key area of power costs.

The following list summarizes key project assumptions used to develop the operating costs, which are in 2017 constant dollars:

- All electrical power will be produced by generators operating on LNG and provided by Northwest Territory Power Corporation on a flat rate for the life of mine and using an estimated LOM power cost of \$0.25/kWhr for the main power generation.
- A delivered price of diesel of \$0.82/L and LNG of \$15.50/GJ was used to estimate power costs other than for the main generator supply.
- Mill, surface and G&A operating costs are generally deemed to be steady-state per tonne milled LOM, based on recent labour and materials costs.
- Manpower costs for road maintenance and concentrate haul are included in total transport costs.

Economic analysis

The Base Case economic model has been developed using long-term metal price assumptions of US\$1.10/lb zinc, US\$1.00/lb lead, US\$19.00/oz silver and an exchange rate of C\$1.25:US\$1.00. Determination of metal prices for use in the 2017 FS has included consideration of consensus price forecasts published by Consensus Economics Inc. as at September 2017, and a review of market commentary published by various services, including the International Lead and Zinc Study Group, CRU, Metals Bulletin Research, Wood Mackenzie, and other industry sources as discussed in Section 19. Current metal prices, rolling three-year averages, and prices used in recent similar mining project studies were also considered for the Prairie Creek economic evaluation.

A sensitivity analysis was conducted on the Project model to evaluate its robustness against variations in financial parameters, specifically Base Case metal prices +/- 10% and the Base Case foreign exchange rate +/- 10% and

+4%. The financial analysis centering on the Base Case, showing average annual EBITDA, NPV (at 8% and 5% discount rates), IRR and payback periods, on a pre-tax and post-tax basis is presented in the following table.

Table ES.1.7 Financial analysis – Prairie Creek Mine

Metal price scenario¹	90%	100%	110%
Average Annual EBITDA (\$M)	59	81	103
Pre-Tax Cash Flow Undiscounted (\$M)	546	899	1,251
Pre-Tax NPV @ 8% discount (\$M)	166	344	523
Pre-Tax NPV @ 5% discount (\$M)	270	497	724
Pre-Tax IRR	16.5%	23.8%	30.2%
Post-Tax Cash Flow Undiscounted (\$M)	345	562	779
Post-Tax NPV @ 8% discount (\$M)	74	188	301
Post-Tax NPV @ 5% discount (\$M)	148	291	433
Post-Tax IRR	12.4%	18.4	23.7%
Post-Tax Payback Period (years from first revenue)	5.7	4.6	4.0
Exchange rate scenario²	C\$1.125:US\$1.00	C\$1.30:US\$1.00	C\$1.375:US\$1.00
Average annual EBITDA (\$M)	62	89	100
Pre-Tax Cash Flow Undiscounted (\$M)	589	1,022	1,208
Pre-Tax NPV @ 8% discount (\$M)	188	407	501
Pre-Tax NPV @ 5% discount (\$M)	298	577	696
Pre-Tax IRR	17.4%	26.2%	29.5%
Post-Tax Cash Flow Undiscounted (\$M)	372	638	752
Post-Tax NPV @ 8% discount (\$M)	88	228	287
Post-Tax NPV @ 5% discount (\$M)	166	341	416
Post-Tax IRR	13.2%	20.3%	23.1%
Post-Tax Payback Period (years from first revenue)	5.5	4.4	4.1

1. Metal prices varied plus / minus 10% and exchange rate unchanged.

2. Exchange rate varied plus / minus 10% and plus 4%, and metal prices unchanged.

A 'stressed case' sensitivity analysis using assumed metal prices of US\$0.80/lb for zinc and lead and US\$17/oz for silver, and an exchange rate of C\$1.40:US\$1.00 indicates a pre-tax NPV8% of \$104M and IRR 14% (post tax NPV8% of \$32M and IRR 10%). Using the average metal prices for the three years ended 30 June 2017 of US\$0.98/lb for zinc, US\$0.88/lb for lead and US\$16.82 for silver, and an exchange rate of C\$1.27:US\$1.00 indicates a pre-tax NPV8% of \$161M and IRR 16% (post-tax NPV8% \$71M and IRR 12%).

Recommendations

As a result of the feasibility study assessment, AMC recommends the following:

- Early completion of engineering and mine development programs to facilitate achievement of scheduled access development, initial dewatering and first ore.
- Completion of permitting of the all season access road.
- Study of opportunities for enhanced mine operation through use of automation and advanced technology.
- Further underground paste backfill strength and flow property studies.
- Additional study of paste binder requirements and backfill methodology.
- Further hydrology study to enhance understanding of water ingress to the mine and optimize dewatering strategy and water treatment.
- Selection of appropriately qualified and experienced mining contractor for the pre-production phase and the first phase of production operations.

- Completion of a detailed trade-off study further examining the economic merits of recovering lead oxide and oxide recovery at low grades.
- Further detailed mine design and schedule to optimize grades, and balance ore and tailings stockpile requirements.
- Detailed design of key underground infrastructure including magazines, dewatering and sump set-ups, service bays, main fan and heating set-ups, electrical infrastructure.
- Finalization of arrangements for active and passive tailings stockpiles.
- Ordering of key long-lead items for underground operation including main fans and heaters.

Ausenco recommends the following in the execution phase of the project:

- Further investigation of the use of LNG (liquefied natural gas) for heating of buildings and underground mine.
- Further investigation of the use of excess heat from generators to supplement underground heating.
- Investigation of the use of used construction equipment and mobile equipment for operations.
- Optimization of the paste plant design, to include best use of recent test results.
- Complete detailed engineering and IFC drawings to support the procurement and construction of the process plant and site infrastructure.
- Completion of early works site activities including removal of existing generators from the power house, repair of the mill roof, initial work on the water storage pond and waste rock pile, site clearance of derelict buildings, equipment and scrap material.
- Selection of appropriately qualified and experienced contractor(s) to construct the surface works.
- Selection and engagement of appropriately qualified and experienced contractor(s) to carry out the construction of the process plant and site infrastructure.

Total associated preliminary cost estimate for the above recommendations from AMC and Ausenco is \$18.2M, of which the majority is included in the FS Capital Cost estimate.

Conclusions

The Prairie Creek Property contains a high-grade, silver-lead-zinc-copper vein along with other lead-zinc deposits and deposit types.

The 2017 FS indicates a Mineral Reserve of 8.1 Mt and an LOM from mill start-up of 15 years at a steady-state production rate of 584,000 tpa.

Mill start-up is projected for August 2020, with a pre-production period during which detailed engineering, mill and camp refurbishment, underground development from existing workings, and construction of key surface infrastructure items, including a paste plant and all season road, will take place.

The 2017 FS indicates a base case Pre-Tax Net Present Value ("NPV") of \$344M using an 8% discount rate, with an Internal Rate of Return ("IRR") of 23.8% and a post-tax NPV of \$188M with a post-tax IRR of 18.4%. The Base Case metal price assumptions used in the model are: Zn US\$1.10/lb., Pb US\$1.00/lb., Ag US\$19.00/oz., with a foreign exchange rate of C\$1.25=US\$1.00.

The development of the Prairie Creek Mine is projected to offer significant economic advantages on a wider scale. Canadian Zinc has indicated that there is broad support among aboriginal organizations and communities in the Dehcho region for the direct benefit and economic stimulus that the mine would bring to this region of the Northwest Territories. Its envisaged operation presents a significant opportunity for potential enhancement of the social and economic well-being of the surrounding communities. During construction there will be approximately 211 jobs, and during steady state operations over the life of the mine there will be approximately 330 direct full-time jobs. In addition, the Project offers other potential indirect business and employment opportunities, related to transport, supply of the mine site and environmental monitoring and management.

The Prairie Creek Mine is shown to be a viable project, based on the Mineral Reserves, mine plan, and production and economic parameters determined within the 2017 FS. AMC recommends that Canadian Zinc advance the Project to the next stage, which will include: detailed design and planning of the required services, construction of the all season road, refurbishment of the mill, ordering the long-lead equipment for power generation, portal refurbishment, access widening, and development of ramp declines and underground infrastructure in preparation for ore production and processing.”

The information relating to the Prairie Creek Property in the preceding sections has been extracted from the 2017 Technical Report dated September 28, 2017 (filed on SEDAR and EDGAR).

Environmental Assessment and Permitting

Water Licence and Land Use Permit – Underground Development

The Company applied to the Water Board on March 5, 2001 for Type ‘B’ Water Licence and a Land Use Permit (MV2001L2-0003) for underground decline development and metallurgical pilot plant operation planned for the Prairie Creek Mine. The application was distributed to government agencies, First Nations communities and other organizations in order for the Water Board to conduct a preliminary screening as required by Part 5 of the Mackenzie Valley Resource Management Act.

However in April 2001, both the Parks Canada Agency and Pehdzeh Ki First Nation referred the proposal to the Mackenzie Valley Environmental Impact Review Board for Environmental Assessment pursuant to section 126(2) of the MVRMA. The referral occurred prior to the Water Board’s completion of its preliminary screening of the proposed development.

The Environmental Assessment was conducted throughout 2001 and into 2002. The Review Board submitted its EA Report on February 5, 2002 to the Minister of Indian Affairs and Northern Development. On September 3, 2002, the Minister requested that, as per section 130(1)(b)(i) of the MVRMA, the Review Board was to give further consideration to unresolved issues in the EA Report relating to the tailings containment area and water treatment in general.

Following further assessment the Review Board submitted its Reasons for Decision on April 4, 2003, outlining recommended revisions and additions to the recommendations in its February 5, 2002 EA Report. On June 16, 2003, the Minister approved the Reasons for Decision and directed the Water Board to proceed with the licensing process.

On September 10, 2003 the Water Board approved the issue of Water Licence MV2001L2-0003, and the Land Use Permit MV2001C0023 subject to the conditions set out therein. The Type B Water Licence contains the terms and conditions that the Board felt necessary to protect the environment, conserve the water resources of the Prairie Creek watershed and provide appropriate safeguards in respect of the Company’s use of waters and deposit of wastes.

On October 10, 2003, an appeal to the Federal Court was filed by the Nahanni Butte Dene Band, Pehdzeh Ki First Nation and the Dehcho First Nations against the Mackenzie Valley Land and Water Board and the Company seeking Judicial Review of the decision of the Water Board to issue the Water Licence to the Company. The Applicants’ grounds were that the Water Board issued the Water Licence without including certain conditions included in the recommendations of the Review Board and in the Minister’s approval, and that the Water Board failed to provide the Applicants with adequate consultation throughout the Licence process. Subsequently both the Attorney General of Canada, representing the Minister of Indian Affairs and Northern Development and the

Canadian Parks and Wilderness Society, represented by the Sierra Legal Defence Fund (known as Ecojustice), applied to the Federal Court to be joined as Intervenor in this Appeal.

The Judicial Review hearing was heard by the Court in August 2005. The Lawyers representing the First Nations had argued that the Water Board had exceeded its jurisdiction in issuing the Water Licence without including certain conditions on water treatment which had been recommended by the Mackenzie Valley Environmental Impact Review Board and approved by the Minister, and that the Water Board had failed to observe the principles of natural justice.

In December 2005, the Court issued its Judgment directing the Water Board to reissue the Water Licence with the inclusion of additional language which had been agreed between the Company and the Minister of Indian Affairs and Northern Development. On February 6, 2006 the Water Board reissued the Water Licence incorporating the wording as per the Order of the Federal Court of Canada. The Type B Water Licence was valid for a period of five years expiring September 10, 2008.

In September 2008, the Water Board granted a two-year extension to the Company's Land Use Permit to September 9, 2010 and the Type B Water Licence was renewed for a period of five years to September 9, 2013.

As contemplated in the Water Licence, the following plans were prepared and have been approved by the Water Board: Minewater Treatment Contingency Plan; Effluent Treatment Options Plan; Abandonment and Reclamation Plan. An existing Fuel Spill Contingency Plan was revised and approved. A Probable Maximum Flood calculation was updated and approved, and flood protection structures and the tank farm facility and associated containment structures were inspected and approved.

In January 2013, the Water Board approved an amendment and extension to the Company's Type "B" Water Licence, MV2001L2-0003, for the management, treatment and discharge of mine water from the mine site. The Water Licence was amended to cover the underground development of the new decline from the existing 870m level, including pumping, treatment and discharge of water inflows using the existing water treatment infrastructure, and placement of waste rock on an existing waste rock pile. The term of the Type B Water Licence was extended to September 9, 2019.

Mine Decline Land Use Permit Issued (Exploration)

In May 2012, the Water Board issued a Class "A" Land Use Permit, MV2012C0008, for the activity of underground decline development. This permit expires on May 9, 2019 and is renewable every two years. The Land Use Permit entitles CZN to conduct mining exploration and associated activities, including underground decline development, at the Prairie Creek Mine.

Land Use Permits and Water Licence– Winter Road

In May 2003, the Company applied to the Water Board for a Land Use Permit for use of the existing Winter Road from the Liard Highway to the Prairie Creek Mine. The Company argued that this application is exempt from the Environmental Assessment process by virtue of Section 157.1 of the Act. The Company's argument was rejected by the Water Board on June 1, 2004. The Company filed an Appeal to the Supreme Court of the Northwest Territories seeking judicial review of the decision of the Water Board. The Appeal was heard by the Supreme Court in December 2004.

In a written decision dated May 6, 2005 in the case Canadian Zinc Corporation v Mackenzie Valley Land and Water Board (SCNWT S-0001-CV2004) the Supreme Court of the Northwest Territories ruled in favour of the Company that its Winter Road permit application is "grandfathered" and is therefore exempt from the Environmental Assessment process under the MVRMA.

In its decision the Supreme Court said that the permit sought by Canadian Zinc is related to the operation of the Winter Access Road, a permit in respect of that same undertaking had been issued before 1984, and therefore the exemption provided in Section 157.1 of the MVRMA governs and a Part 5 assessment does not apply.

This application for a Land Use Permit for the road was referred back to the Water Board. In June 2005 the Nahanni Butte Dene Band wrote to the Water Board asserting infringement of Aboriginal rights and inadequate consultation under Section 35 of the Constitution of Canada. The issue was referred to the Department of Indian Affairs and Northern Development which conducted a preliminary assessment and submitted its report to the Water Board in February 2007.

On April 11, 2007 the Water Board approved the issue of Land Use Permit MV2003F0028 for a period of five years to April 10, 2012, which was subsequently extended for a further period of two years and expired in April 2014.

In June 2007, Canadian Zinc applied to the Water Board for a Class “B” Water Licence (MV2007L8-0026) to rehabilitate a portion of the road in the proximity of the mine site and sought authorization from the Department of Fisheries and Oceans (“DFO”) to carry out the work.

In June 2007, the Dehcho First Nations claimed that the rehabilitation work constituted a significant alteration to the Winter Road Project and requested that the application for the water licence for the proposed rehabilitation work be referred for Environmental Assessment. In December 2007, the Water Board ruled that the proposed rehabilitation work did not constitute a significant alteration.

The issuance of these permits was delayed as they were referred to consultation between the Crown and the Nahanni Band. The Company received the quarry permit on February 29, 2008 and the Water Licence on March 20, 2008. The Water Licence was valid for a period of five years expiring March 19, 2013. The authorization from DFO was received on July 15, 2008.

On June 18, 2009, Parks Canada issued Land Use Permit 2009 L02 for a period of three years to April 10, 2012 for the use of that portion of the road within Nahanni National Park Reserve. In July 2012, Parks Canada extended the LUP for that portion of the road that passes through the expanded Nahanni National Park Reserve for an additional term of two years to April 2014.

MVLWB Land Use Permit MV2003F0028 and Parks Canada Land Use Permit 2009 L02 permitted CZN to undertake road rehabilitation work and use of the winter road along its original route for the re-supply and maintenance of the mine, but did not permit for the use of the winter road for mining operations. These two permits expired in April 2014.

In January 2013, the Water Board issued the Company LUP MV2012F007 for the establishment and operation of the winter road that will service an operating Prairie Creek Mine. The Land Use Permit was issued for a period of five years ending in January 2018, and permits the construction, maintenance, operation and use of a portion of the winter road connecting the Prairie Creek Mine to the Liard Highway, situated outside the expanded Nahanni National Park Reserve. This permit allows the outbound transportation of the zinc and lead concentrates to be produced at the mine and the inbound transportation of fuel and other supplies during the actual operation of the Prairie Creek Mine.

The road permit also incorporates realignment of the original route which will improve access and further reduce potential environmental impact. Associated with this LUP the MVLWB also issued a Type “B” Water Licence MV2012L1-0005, valid for a period of seven years, to allow the limited use of local water resources and disposal of waste during road construction and operations.

In September 2013, the Company received from Parks Canada permits Parks2012_W001 WL and Parks2012-L001 LUP, both valid for a period of five years valid until August 2018. The permits authorize road access through the NNPR to connect sections of road outside the Park permitted by the MVLWB. In order to ensure a harmonized regulatory process, the conditions in the Parks Canada permits largely mirror those in the Land Use permits previously issued to the Company by the MVLWB, in respect of that portion of the road that runs outside the NNPR.

Canadian Zinc holds all land use permits and water licences required for the construction and operation of the entire 184 kilometre winter access road along a realignment route which connects the Prairie Creek Mine to the Liard Highway and for the construction of two transfer and staging facilities along the road, one near the Liard

River crossing and the second inside the Park at about the half way mark. The winter access road, part of which passes over Crown land and part through the expanded Nahanni National Park Reserve is multi-jurisdictional and the Company has received from both the Water Board and Parks Canada all necessary winter road related land use permits and licences related to their respective jurisdictions.

The Company has made application to the Mackenzie Valley Land and Water Board for a two year extension to Winter Road LUP MV2012F0007, which had an original term which expired January 2018, and submitted a request for clarification of use of the alignment of the All Season Road, where it deviates from the winter road alignment, under Winter Road LUP MV2012F0007LUP.

All Season Road Permit

On April 16, 2014 CZN made applications to the MVLWB and Parks Canada for permits to construct, maintain and operate an all season road from the Mine to the Liard Highway, and to build and operate an airstrip connected to the road. CZN has proposed to develop the project in two phases. Phase 1 would include all season road construction from the Mine to the already permitted Tetcela Transfer Station, approximately half way to the Highway. This will enable the haul of concentrates over the mountainous section year-round, and greatly reduce haul requirements over the winter period. An airstrip would also be built in Phase 1. Phase 2 would include completion of the All Season Road to the Nahanni Butte access road which connects to the Highway, and with operation of a barge on the Liard River, would allow concentrates to be transported to the market year-round. The All Season Road would use the same alignment as the already permitted winter road, although some minor realignments might also be considered.

The MVLWB referred the applications to the MVRB on May 22, 2014 for environmental assessment [Prairie Creek Mine All Season Road EA1415- 01 - 2014]. CZN produced a draft Terms of Reference (“**ToR**”) for a Developer's Assessment Report on June 4, 2014. Community meetings to consider the scope of the EA were subsequently held in Nahanni Butte, Fort Liard and Fort Simpson over the period June 9-11, 2014 and a technical scoping meeting was held in Yellowknife on July 8, 2014. The MVRB collated scoping meeting comments, and issued their version of the draft ToR for comment on July 31, 2014. The MVRB produced a final ToR on September 12, 2014.

A helicopter supported field program was completed along the road corridor in July 2014 to initially assess and gather additional data in support of the permit application for an all season road. In September 2014, Canadian Zinc completed a larger phase helicopter-supported engineering and environmental field studies. Engineering studies were focused on confirming the optimum alignment, determining the location and nature of stream crossings, and investigating and sampling areas of potential permafrost occurrence or instability, as well as borrow sources. Environmental studies consisted of a caribou occupancy wildlife survey, habitat data collection at fish-bearing stream crossings, and surface water and stream sediment sample collection.

The Company submitted its Developer's Assessment Report to the MVRB in April of 2015. The Company anticipates the environmental assessment and permitting process for this All Season Road application will take approximately one year to complete. In April 2015, Canadian Zinc submitted its 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.

Technical Sessions took place in Yellowknife from June 13, 2016 to June 16, 2016. The purpose of the Technical Session was for all parties and regulators to discuss issues face-to-face in order to gain a better understanding of the All Season Road Project and its potential environmental impacts.

Additional Technical Sessions on cultural impacts were also held in the local communities of Nahanni Butte and Fort Simpson on July 4 and 5, 2016. The purpose of these sessions was to gather information from land and resource users in the two Dehcho communities about the potential impacts and to discuss possible mitigations of the proposed All Season Road.

The June Technical Sessions generated a list of commitments and undertakings. In July 2016, CZN completed a field work program along the road corridor to gather additional base line data on vegetation, wildlife and stream crossings that were deemed necessary to respond to some of the undertakings. On August 18, 2016, Canadian Zinc completed submitting its responses to the undertakings from the June Technical Session. Canadian Zinc was subsequently asked to submit some additional information and did so on September 6, 2016.

In September 2016, the Company received the second round of Information Requests from parties registered in the regulatory process. CZN submitted its responses to the second round of Information Requests in October 2016 which was followed by a risk assessment stage. After a number of submissions the risk assessment phase was deemed complete by the MVRB in early February 2017 and the EA process subsequently entered into the Hearing Phase.

The Review Board held Community Hearings in Nahanni Butte on April 24, 2017 and in Fort Simpson on April 25, 2017. The Community Hearings provided an opportunity for local communities to hear and to participate in a discussion of the issues related to the proposed road development and to raise any concerns directly with the Review Board. There was strong support shown for the Prairie Creek Project from both communities.

The Review Board held Formal (Technical) Public Hearings in Fort Simpson April 26–28, 2017. These more formal Hearings involved review by all registered parties through a series of presentations followed by questions.

Participating parties in the Hearings included the Nahanni Butte Dene Band, the Liidlii Kue First Nation, the Dehcho First Nations, Government of the Northwest Territories, Environment and Climate Change Canada, Fisheries and Oceans Canada, Indigenous and Northern Affairs Canada, Natural Resources Canada and Parks Canada Agency. The Public Hearings were completed in May 2017 and the Review Board closed the public record.

In September 2017, the Review Board recommended approval of the proposed All Season Road for the Prairie Creek Mine. The Review Board issued its *Report of Environmental Assessment and Reasons for Decision* for Canadian Zinc's Prairie Creek All Season Road Project for the Prairie Creek Mine and submitted the Report to the Federal Minister of Crown-Indigenous Relations and Northern Affairs.

The Review Board recommended the approval of the Prairie Creek All Season Road be made subject to implementation of the measures described in the Report, which it considers are necessary to prevent significant adverse impacts on the environment and local people.

The full text of the Report of Environmental Assessment and Reasons for Decision (331 pages plus appendices), together with all proceedings, transcripts, technical reports and detailed information on the environmental assessment of the Prairie Creek Mine All Season Road EA1415- 01[2014] are available on the website registry of the Review Board at http://reviewboard.ca/registry/project.php?project_id=680, under the file of Canadian Zinc Corporation.

In its Report, the Review Board has prescribed mitigation measures, many of which build on Canadian Zinc's commitments made during the EA, intended to mitigate the potential adverse impacts on the environment, improve monitoring and managing the potential impacts and which will also address any public concern related to these impacts.

The Review Board has recommended the creation of an Independent Technical Review Panel, to ensure that the road is designed to a standard that is highly protective of people and the environment. Some of the Review Board measures also include requirements that Canadian Zinc negotiate with traditional knowledge holders from Nahanni Butte Dene Band and other First Nations about ways to avoid impacts on heritage resources and to conduct systematic wildlife monitoring and adaptive management using traditional knowledge.

With these and other measures to reduce or avoid identified impacts, the Review Board concluded that the Project will be improved, and meaningful actions will mitigate the significant impacts that would otherwise occur.

During the summer of 2017, three separate field programs relating to the All Season Road were completed. The programs were part of the Company's further commitments to the route assessment made during the environmental assessment process and included center-line survey location for the road route and additional baseline environmental studies including, bird, wildlife and vegetation studies. The helicopter supported programs were carried out from bases at both the mine site and at the community of Nahanni Butte.

On January 18, 2018, the Minister of Crown Indigenous Relations and Northern Affairs Canada, invoked a two-month extension to the timeline for the Minister's decision on the Report of Environmental Assessment for the Prairie Creek All Season Road, originally due by February 12, 2018, to allow the federal and territorial governments to complete aboriginal consultations.

In connection with such consultations, on January 19, 2018, INAC provided Canadian Zinc with five information requests, identifying specific issues raised by Indigenous groups that need further clarity through proponent engagement, so the Responsible Ministers can be confident that the Crown has discharged its legal duty to meaningfully consult with potentially impacted Indigenous groups.

INAC has requested Canadian Zinc to engage the Nahanni Butte Dene Band, Liidlii Kue First Nation and the Dehcho First Nations, as recommended by the Review Board, to gain an understanding of the Indigenous groups' concerns, discuss and determine how the Indigenous groups will be included in monitoring and discuss the Indigenous groups' requests for support to participate in implementation of the measures recommended by the Review Board and the commitments made by Canadian Zinc in the environmental assessment process.

Canadian Zinc is cooperating with the request from INAC and is engaging with Indigenous groups to discuss the implementation of various measures recommended by the Review Board, the sharing and incorporation of Dene traditional knowledge and values into project design and the inclusion of the Indigenous groups in environmental and wildlife monitoring of the All Season Road.

The issue of the information requests, pursuant to subsection 130 (4.06) of the *Mackenzie Valley Resource Management Act*, has the effect of stopping the clock on the five-month time limit for the Responsible Ministers to make a decision on the Report of Environmental Assessment. The time limit, extended by an additional two months, will resume only after the Company has provided an adequate response to the information requested.

Canadian Zinc had expected that implementation of the measures which had been recommended by the Review Board would be addressed and resolved during the permitting phase with the Water Board and Parks Canada, as in previous applications; however, INAC has indicated that the Responsible Ministers require these issues clarified at this stage and not deferred to post-environmental assessment processes. As such, the engagement requested is not an unexpected requirement but rather one brought forward to the current stage of the process.

Once the environmental assessment report is approved by the Minister, the permitting process enters the regulatory phase, conducted by the Mackenzie Valley Land and Water Board with input from territorial and federal agencies, in which road permits are issued by the Water Board and by Parks Canada. These permits will incorporate the recommended mitigation measures included in the EA Report.

The proposed All Season Road follows the general alignment of the already permitted winter road, while locally adjusting the route to accommodate for terrain, site characteristics, and road specifications more suitable and preferred for an All Season Road. The road from the mine to kilometre 37.4 is permitted for all season use but needs upgrading along this section, including minor realignments and new watercourse crossings.

Canadian Zinc plans to construct the road over a period of three years. Prior to construction activities, the Company plans to conduct geotechnical field investigations leading to detailed road design plans and award construction contracts. The plan is to build a winter road in the first winter season to support road construction activities. The first winter road will also be used for transporting equipment, materials and diesel fuel to site for mine construction.

Development of the All Season Road will enable the transportation of concentrates, outbound, and supplies, inbound, spread throughout the year reducing the need for a large inventory of supplies on site. The All Season Road will also have environmental and safety benefits as with the trucking spread out over the year, there would be less traffic volume and avoiding possible congestion in winter, which will lower the risk of accidents or spills. The road will also have the potential to reduce energy costs and enable the use of more environmentally friendly alternative energy sources, as local gas fields in the Northwest Territories could be a source of LNG which has the potential to reduce reliance on diesel fuel, and thereby further reduce environmental impacts..

Land Use Permit – Exploration

In April 2004, Canadian Zinc applied to the Water Board for an amendment to its previously approved Land Use Permit MV2001C0022A allowing a 60 hole mineral exploration program within 1,000 metres of the Prairie Creek Mine site facility. The amendment was submitted in order to obtain permission to drill anywhere on the extensive mineral leases and claims held by Canadian Zinc at the Prairie Creek Property. Following a Preliminary Screening in June 2004, the Water Board referred the proposed development for Environmental Assessment to the Mackenzie Valley Environmental Impact Review Board citing “public concern about the cumulative effects of this project on the South Nahanni Watershed”.

A detailed Environmental Assessment was carried out throughout 2005. Five government agencies, two First Nations and one non-governmental organization (Canadian Parks and Wilderness Society) participated in the Environmental Assessment, which continued over a period of about eighteen months. Canadian Zinc submitted a Detailed Development Description dated December 2004. The Review Board issued its Terms of Reference in April 2005 and held scoping sessions (public meetings) during March and April 2005 in the NWT communities of Fort Liard, Fort Simpson and Wrigley, NT. Canadian Zinc submitted its Developer's Assessment Report in May 2005 and Technical Reports were submitted by the end of August 2005. A Public Hearing was held in Fort Simpson NT, on October 6, 2005.

The Mackenzie Valley Environmental Impact Review Board completed its Report of Environmental Assessment and submitted the Report to the Minister of Indian and Northern Affairs Canada on December 23, 2005.

The Review Board has concluded that, with the implementation of the commitments made by Canadian Zinc and three mitigation measures recommended in the Report, the proposed development is not likely to have a significant adverse impact on the environment or be cause for significant public concern. The Review Board recommended to the Minister that this development proceed to the regulatory phase of approvals.

The Review Board examined the Public Record for evidence of possible significant adverse impact on the environment, for evidence of cumulative effects from the development in combination with other past, present and reasonably foreseeable future developments, and for evidence of public concern.

The Review Board found that significant adverse cumulative impacts on the environment can be prevented with adequate environmental management. The Review Board also found that the proposed development is not likely to be cause for significant public concern as long as all of the Company's commitments and all of the measures recommended by the Review Board are implemented.

The Review Board concluded that some public concern over cumulative effects on the Nahanni watershed exists but that this concern would be greatly diminished if the public had assurance that the Company's commitments, and the additional mitigation measures recommended by the Review Board, would be effectively implemented. The Review Board found that there would not be a concern if the public is kept up-to-date about the environmental protection measures Canadian Zinc will be using. “The best way for the public to receive this assurance is through an independent community environmental monitor who reports back to the affected communities.”

“The Review Board is of the view that the full responsibility for monitoring, evaluation and management should not necessarily rest on the Company alone. Expert agencies of government, such as Department of Indian Affairs and Northern Development, Environment Canada, Department of Fisheries and Oceans, and Government of the Northwest Territories, should be involved co-operatively in the design of this comprehensive monitoring program.”

The Review Board noted that incremental development in the Prairie Creek area is likely to continue and is likely to increase rather than decrease in the foreseeable future. There has already been considerable development in the Prairie Creek watershed and development is likely to increase. On the other hand, all present and reasonable foreseeable future developments are by the same developer, are in close proximity, and are operated, if not as one development, in a coordinated and overlapping fashion. This provides Canadian Zinc with an opportunity to effectively manage cumulative effects through responsible environmental management of its activities in each of the developments in the area.

The Review Board recommended approval of the proposed development subject to three mitigation measures. The measures are the actions necessary, in the opinion of the Review Board, to prevent or mitigate adverse impacts on the environment. The three measures recommended by the Review Board are:

- Government and regulatory authorities are to ensure that all drill waste is disposed of in a manner that does not allow any harmful substance to enter surface waters.
- Canadian Zinc shall take every reasonable effort to employ a local person, selected in consultation with the Dehcho First Nations, as community environmental monitor, who will independently report back to the Dehcho First Nations.
- Aboriginal Affairs and Northern Development Canada shall ensure that a comprehensive program to monitor cumulative impacts on fish, wildlife, vegetation and water quality is implemented.

In February 2006, the Minister of Indian Affairs and Northern Development, and on behalf of the Responsible Ministers with jurisdiction (Environment and Natural Resources, Government of the Northwest Territories, Fisheries and Oceans, and the Minister of the Environment on behalf of Environment Canada and Parks Canada), approved the report of the Review Board.

In May 2006, the Water Board issued Land Use Permit MV2004C0030 for the Phase 3 exploration drill program, which was valid for five years commencing May 11, 2006. In May 2011 the Company received a two year extension to this Land Use Permit and it expired May 10, 2013.

In April 2013, the Water Board issued Land Use Permit MV2013C0002 for the Phase 4 exploration drill program, and essentially replaced LUP MV2004C0030 which expired in May 2013. The replacement land use permit is valid for five years from April 24, 2013 to April 24, 2018 and permits exploration drilling anywhere on the extensive Prairie Creek Property.

Applications for Operating Licence/Permit

The Company has secured a Type "A" Water Licence and all necessary associated Land Use Permits, through the regulatory process established under the MVRMA, that permit development and subsequent mine operation and production at Prairie Creek.

Operating Licence/Permit - Environmental Assessment

In June 2008, the Company applied to the Mackenzie Valley Land and Water Board for a Water Licence and associated Land Use Permits to support a mining operation at Prairie Creek. In August 2008, the application was referred to EA under the Review Board, the primary authority responsible for all environmental assessment and review throughout the Mackenzie Valley in the Northwest Territories, and has since been working through the various stages within the EA. These stages included a Written Hearing on the terms of reference, scoping sessions, submittal of a Developer's Assessment Report, two formal Information Requests and two Technical Sessions, a Community Hearing and a two-day Public Hearing, followed by Closing Submissions.

On December 8, 2011, the Review Board issued its Report of Environmental Assessment and Reasons for Decision for the Company's proposed Prairie Creek Mine and submitted the EA Report and Decision to the Federal Minister of Aboriginal Affairs and Northern Development Canada. The Review Board concluded that the proposed development of the Prairie Creek Mine, including the list of commitments made by the Company during the proceedings, is not likely to have any significant adverse impacts on the environment or to be a cause for significant public concern. The Review Board therefore concluded that an environmental impact review of this proposed development is not necessary and that the Prairie Creek Mine project should proceed to the regulatory phase for approvals.

The Review Board found that there is broad support among Aboriginal organizations and communities in the Dehcho Region for the benefits that the Prairie Creek Mine could bring to the Dehcho Region of the Northwest Territories. The Review Board acknowledged the commitments that the Company has made toward mitigating potentially adverse social impacts of the project on First Nations and communities in the region.

The Socio-Economic Agreement between the Company and the GNWT is a key document in the Review Board's findings on impacts of the project on the human environment. In the Review Board's view, the Prairie Creek Mine is not likely to have significant adverse impacts on the human environment of the Dehcho Region or the Northwest Territories provided the developer's commitments are followed and enforced and the Socio-Economic Agreement is implemented.

To achieve its proposed water quality objectives, the Company made commitments to enhance its water treatment plant, increase water storage capacity and construct an improved mine effluent outfall for discharge into Prairie Creek. The Company and the Department of Aboriginal Affairs Canada and Northern Development proposed differing approaches to site specific water quality objectives for Prairie Creek. The Review Board is of the view that the implementation of either approach to site specific water quality objectives is not likely to significantly impact water quality in Prairie Creek in the area of the mine site, in Prairie Creek at the Nahanni National Park Reserve boundary, or in Prairie Creek at its confluence with the South Nahanni River. The Review Board noted that the Water Board will decide in the regulatory phase the limits to protect water quality that are appropriate for this Project and setting.

The Review Board provided three suggestions that would improve the monitoring and management of potential impacts from the development of the Prairie Creek Mine:

- The Review Board noted that construction of a second water storage pond may address a broader range of risks and result in better water management on site and improved water quality in Prairie Creek. The Review Board suggested that the Water Board consider this during the licensing phase.
- In the Review Board's opinion, the Company's approach to tailings management by placing all tailings underground as tailings paste backfill by the end of mine operations can be achieved and will reduce impacts on water quality so that they are not likely to be significant. The Review Board suggested that the Company prepare a Tailings Management Plan for both the permanent storage of tailings underground and the temporary storage of tailings on surface at the mine site. The Review Board suggests that this Plan should be part of the water licences.
- The Review Board suggested that the Company use secondary containment of concentrate during transport along the winter road to reduce the risk of contaminant dispersal.

Throughout the EA process, Canadian Zinc proposed certain design modifications to the mine site and access road to improve the project and minimize potentially adverse impacts to the environment. Key design modifications included commitments to increase water storage capacity at the mine site, an improved mine effluent design, an enhanced water treatment plant and realignments of the access road.

The EA Report stated that the Review Board based its decision on the assumption that Canadian Zinc would fulfill its commitments made during the proceedings and that these commitments were important for the Review Board's decision on the significance of adverse impacts. The Review Board stated that, in its opinion, it is therefore important that the Company, appropriate regulatory authorities and government agencies ensure that Canadian Zinc fulfills its commitments. The full list of commitments made by Canadian Zinc is set out in Appendix B to the EA Report. Investors are urged to read and consider closely the full text of the Report of Environmental Assessment and Reasons for Decision, including the list of commitments in Appendix A thereof.

The full text of the Report of Environmental Assessment and Reasons for Decision, together with all proceedings, transcripts, technical reports and detailed information on the EA (EA0809-002) of the Prairie Creek Mine and letters commenting on the EA Report are available on the website registry of the Review Board under the file of Canadian Zinc Corporation, and is included as a schedule to the amended material change report of the Company dated December 22, 2011 and filed on SEDAR on December 22, 2011 in respect of the announcement that the Mackenzie Valley Environmental Impact Review Board has approved the proposed operation of the Company's Prairie Creek Mine.

The Review Board concluded that the proposed development of the Prairie Creek Mine is not likely to have any significant adverse impacts on the environment or to be a cause for significant public concern.

The Review Board concluded that the development (including the commitments made by Canadian Zinc) is not likely to have significant adverse impacts on the environment, and that the commitments were already a part of

the development, and concluded that no mitigation measures were necessary to ensure that there would be no adverse effects on the environment. Section 128(1)(b) of the Act allows for the imposition of mitigation measures did not apply, because of the conclusion that the development is not likely to have adverse impacts.

The Review Board therefore concluded that an environmental impact review of this proposed development is not necessary and that the Prairie Creek Mine project should proceed to the regulatory phase for approval. The MVRMA provides that the Minister may order an environmental impact review of the proposal, notwithstanding the Review Board's determination.

In a decision dated June 8, 2012, the Minister of Aboriginal Affairs and Northern Development, on behalf of the responsible Ministers with jurisdiction, including the Minister of the Environment, the Minister of Fisheries and Oceans, the Minister of Environment and Natural Resources, the Minister of Transport Canada and the Minister of Environment and Natural Resources of Government of the Northwest Territories, advised the Review Board of the Decision that the Ministers would not order an environmental impact review of the proposed development of the Prairie Creek Mine, nor would they refer the proposal to the Minister of the Environment for a Canadian Environmental Assessment Act joint panel review.

Operating Licence/Permit - Regulatory Process

In January 2012, following the completion of the Environmental Assessment in December 2011, the Water Board commenced the regulatory process for the issue of a Class "A" Water Licence and Land Use Permits for the operation of the Prairie Creek Mine. In February 2012, the Company submitted a Comprehensive Project Description ("CPD"), highlighting the changes that resulted from commitments made by Canadian Zinc during the environmental assessment process.

The Water Board completed its review of the information contained in the application, Environmental Assessment and the CPD and in May 2012, issued a Directive on additional information required by the Water Board at this stage of the Regulatory Process.

In November 2012, a series of technical sessions were held in Yellowknife to review the Company's submissions to the Water Board. The sessions resulted in triggering 24 additional Information Requests which the Company responded to in December 2012. Follow-up meetings to further discuss the Information Requests were held in Yellowknife and Fort Simpson during the week of December 20, 2012.

Formal written interventions to the MVLWB were submitted by the Intervening Parties on January 11, 2013 and CZN submitted a response to the Interventions on January 18, 2013. Beginning on January 29, 2013, the Company and Intervenors attended Public Hearings held in Fort Simpson. The three day session was adjudicated by the Water Board. A Public Hearing scheduled to be held in Nahanni Butte February 1, 2013 was postponed due to weather and held as a Teleconference on February 8, 2013.

In June 2013, the MVLWB issued LUP "MV2008D0014" which permits Canadian Zinc to extract ore and waste rock from the Prairie Creek Mine, operate a flotation mill concentrator to produce zinc and lead concentrates, create a waste rock facility, and refurbish and develop site facilities in support of the mining operation, along with the eventual closure and reclamation of the mine site.

Also in June 2013, the MVLWB issued LUP "MV2008T0012" which permits Canadian Zinc to construct and operate the Liard Transfer Facility to be situated near the junction of the existing Prairie Creek Mine access road and the Liard Highway. The Liard Transfer Facility is a staging area at the south end of the winter access road designed to temporarily store outbound concentrate and inbound supplies.

Both new LUP permits issued in June 2013 are valid for a term of five years and with an optional two year extension.

In July 2013, the Water Board completed its regulatory process and finalized the Type "A" Water Licence, MV2008L2-002, for the Prairie Creek Mine and forwarded the Licence to the Federal Minister of Aboriginal Affairs and Northern Development Canada with the recommendation that the Minister approve and sign the Licence.

In September 2013, the Minister of Aboriginal Affairs and Northern Development Canada, approved and signed the Type “A” Water Licence for the Prairie Creek Mine in the Northwest Territories, Canada.

The Minister of Aboriginal Affairs and Northern Development Canada gave his approval for the Water Licence as recommended by the MVLWB in accordance with Section 81 of the Mackenzie Valley Resource Management Act. In transmitting the signed licence to the Water Board, the Minister noted his understanding “that this was a particularly challenging licence for all involved in the licencing process. This licence is in relation to a project that is subject to a series of very unique circumstances which have given rise to the need for innovative solutions.” The Minister noted “the need for a novel approach to water treatment was identified early on in the regulatory process due to the unique environmental conditions of the mine site.”

In its recommendation to the Minister, the Water Board provided some comments on the issues faced and the decisions made in respect of this Licence. The Board accepted the site-specific water quality objectives derived by Canadian Zinc. These are almost all more stringent than the country-wide guideline values adopted by the Canadian Council of Ministers of the Environment. The Board also determined, after many months of review and study, that effluent quality criteria (“**EQC**”) using a variable load-based discharge approach, as proposed by Canadian Zinc, will be a more protective and practical way of controlling effluent discharge from the mine to Prairie Creek. The Board recognized that this is a new approach compared to the standard fixed EQC, but believes that practical and effective mechanisms can be put in place to ensure compliance.

On December 22, 2013, the Company filed a request with the Water Board to amend certain terms of the Type “A” Water Licence and the Operations Land Use Permit, specifically to extend the term of the permits and to change the timing schedule for the required security deposits to coincide with commencement of construction and commercial operation. The Department of Aboriginal Affairs and Northern Development Canada has confirmed to the MVLWB that the Board’s assessment of the Company’s liability for the cost of closure and reclamation is not applicable until a new lease for production replaces the existing care and maintenance surface lease.

In August 2014, Canadian Zinc submitted an amended development schedule for the Prairie Creek Mine to the Mackenzie Valley Land and Water Board and this was followed up by an application to the MVLWB in October 2014 requesting that its Type “A” Water Licence be held in abeyance until more certainty develops around the actual commencement of construction and the mine development schedule.

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.

Documentation related to this regulatory process is posted on the Water Board website (Year 2008, Canadian Zinc MV2008L2-0002).

Other 2017/2018 Permitting Activities

The Company has made application to the Mackenzie Valley Land and Water Board for a number of amendments to existing Licences and Land Use Permits. Four applications are currently underway awaiting decision by MVLWB:

- Amendment to Water Licence MV2008L2-0002 to extend the term of the Licence for the life of Mine.
- Amendment to Water Licence MV2001L2-0003 to amend the Zinc compliance levels to reflect the levels prescribed in the federal Metal Mining Effluent Regulations.
- Extension for two years to Winter Road LUP MV2012F0007, which had an original term which expired January 2018.

- Request for clarification of use of the alignment of All Season Road, where it deviates from the winter road alignment, under Winter Road LUP MV2012F0007, submitted at the same time with the application for the two-year extension.

Environmental Matters

Impact Assessment

The Company's Developer's Assessment Report (DAR) submitted to the Review Board in March 2010 outlines the Company's assessment of any potential environmental impact that operating the Prairie Creek mine may have on the region.

In December 2011, the Review Board concluded, pursuant to paragraph 128 (1) (a) of the *Mackenzie Valley Resource Management Act*, that the proposed development of the Prairie Creek Mine as described in the Report of Environmental Assessment, including the list of commitments made by Canadian Zinc during the proceedings, is not likely to have any significant adverse impacts on the environment or to be a cause for significant public concern.

The Company Developer's Assessment Report (DAR) submitted to the Review board in April 2015 outlines the Company's assessment of any potential environmental impact that Prairie All Season Road may have on the region.

In September 2017, the Review Board issued its *Report of Environmental Assessment and Reasons for Decision* for Canadian Zinc's Prairie Creek All Season Road Project for the Prairie Creek Mine. The Review Board recommended the approval of the Prairie Creek All Season Road be made subject to implementation of the measures described in the Report, which it considers are necessary to prevent significant adverse impacts on the environment and local people. In its Report, the Review Board prescribed mitigation measures intended to mitigate the adverse impacts on the environment, improve monitoring and managing the potential impacts. With these and other measures to reduce or avoid identified impacts, the Review Board concluded that the Project will be improved, and meaningful actions will mitigate the significant impacts that would otherwise occur.

Human Environment: The Prairie Creek Mine is a relatively modest project that is proposed for a region of the Northwest Territories that has limited other confirmed economic prospects. The real economic and social impact of this project will be generated through the participation of local labour and business in the area, including the communities of Nahanni Butte, Fort Simpson and Fort Liard. Participation will come in the form of direct employment, direct supply of goods and services, and spin-off activities. There will be a period of adjustment as people and communities integrate into the wage economy. The rise in financial wealth and all that it affords will more than offset this initial adjustment period. For those living in the project area, an operating Prairie Creek Mine offers an opportunity for a generation of employment, and will result in a population that is better educated, better trained and better able to cope with, adapt to, and capture new opportunities in the future.

Access road operations are expected to increase traditional land use in the area since a re-aligned access road will afford easier access to hunting areas and trap lines. However, a cooperative effort is required to control road access because unauthorized use poses risks to safety and to wildlife from hunting pressures.

Water Quality: Recent studies show that the historical discharge of untreated mine drainage has had no significant impact on downstream water and stream sediment quality, or aquatic life. This suggests Prairie Creek is not particularly sensitive to discharges from the Mine. Nevertheless, Canadian Zinc's water management strategy for operations will minimize the potential for impacts.

Predictions show that the planned discharge from the Mine during operations will not cause metal concentrations in Prairie Creek to exceed the targets when creek flows are in the normal range year round. Canadian Zinc will monitor flows in the creek, and if flows are found to be lower than normal, the discharge will be temporarily adjusted so that the targets are not exceeded. This will mean no impacts on Prairie Creek water at the Mine, or 7 kilometres downstream at the new Nahanni National Park Reserve boundary.

After mine closure, there will be no drainage from mine portals because the Mine and access tunnels will be completely filled. However, bedrock surrounding the Mine workings is expected to allow the passage of groundwater. This water will contain metals, mostly from mineralization considered uneconomic and not mined, and to a lesser extent from the backfilled waste mixture. A small quantity of seepage from the covered Waste Rock Pile is also possible.

It is believed that the natural zinc concentrations that existed in Prairie Creek before any mine development potentially exceeded the water quality target during winter months when creek flows were lower than normal.

Predictions for Prairie Creek after mine closure suggest all metal concentrations will remain within the water quality targets when creek flows are in the normal range year round, but if creek flows are lower than monthly in winter, zinc concentrations could be similar to those predicted to have potentially occurred before mine development. Post-mine predictions also indicate higher cadmium concentrations in winter if creek flows are unusually low. However, cadmium is not stable in the natural environment and disappears quickly because of various natural reactions. Therefore, the target for this metal is unlikely to be exceeded. As such, it is likely that no additional impacts on water quality will occur after mine closure compared to pre-mine conditions.

Following Technical Sessions held during October 2010 related to the Prairie Creek Environmental Assessment the Mackenzie Valley Review Board issued a Second Round of Information Requests and the Company received 54 Information Requests from seven agencies. The majority of requests related to further details of the proposed operating mine water quality and management.

In order to adequately address the Information Requests the Company needed to generate water products that would be representative of the proposed Prairie Creek operations. This required the collection of local Prairie Creek Mine site source water products and included the collection of a 285 kg bulk mineralization composite rock sample from various underground headings, over 200 litres of minewater and water directly from Prairie Creek itself. SGS Canada Inc., of Vancouver completed a Locked Cycle Test utilizing the collected rock and water samples in a laboratory bench scale study. The mill process flow sheet used in the Locked Cycle Test had been previously determined through numerous metallurgical studies. Both concentrates and waste products, including tailings and water, were generated from this laboratory scale milling process.

SGS-CEMI labs completed further primary treatment tests on both the process water and minewater. Further analysis related to effluent discharge of the proposed Prairie Creek Mine was completed by Hatfield Consultants of Vancouver. These included development of proposed site-specific water quality objectives, definition of an internal dilution zone and development of proposed Effluent Quality Criteria. Additional toxicity studies were completed, on the product effluent using both fish and organic growth to determine discharge toxicity levels and impact assessment related to aquatic sensitivities. These studies resulted in developing a more detailed water treatment scheme and water management system for the proposed Prairie Creek site.

The original proposal to use an end of pipe-type design to disperse mine effluent did not produce satisfactory mixing condition within the Prairie Creek dilution zone. Additional investigation of outfall effluent discharge design by Northwest Hydraulic Consultants was completed and a new exfiltration trench has been proposed and at the outfall location into Prairie Creek. In addition a downstream mixing analysis of the outfall water with Prairie Creek flows was also completed with the use of proprietary HEC-RAS hydraulic modeling software.

Canadian Zinc and the Department of Aboriginal Affairs and Northern Development proposed differing approaches to site specific water quality objectives for Prairie Creek.

The "Reference Condition Approach" ("RCA"), recommend by AANDC, is a method of determining site specific water quality objectives ("SSWQO") for the environment, which are in turn used to create effluent quality criteria that are meant to regulate end-of-pipe water discharge into the environment.

Canadian Zinc believed that technical solutions acceptable to all parties had been identified for most issues raised in the EA. However, there remained a difference in approach between the Company and AANDC regarding the methodology used to select site specific water quality objectives relating to the treated water discharge from the Prairie Creek Mine. CZN and AANDC agreed to collaborate to move forward in a timely manner to further discuss the issues and seek to reach a mutually acceptable solution and approach. In a letter issued July 15, 2011, the

Review Board encouraged the parties to complete the meetings and report preparation prior to the deadline established for final submissions.

During August and September, 2011, the Company met numerous times with interested parties to further collaborate on water quality objectives. A number of additional components, including enhanced water storage and treatment, were suggested to further add to site contingency factors. Progress was made in resolving certain issues in order to move forward with the broad development of a framework for selecting Site-Specific Water Quality Objectives prior to the filing of Final Submissions by the parties and by the Company on September 16, 2011.

To achieve its proposed water quality objectives, Canadian Zinc made commitments to enhance its water treatment plant, increase water storage capacity and construct an improved mine effluent outfall for discharge into Prairie Creek.

The Review Board addressed the issue of the Reference Condition Approach in its EA Report under a section entitled “3.1.3 Site specific water quality objectives.” The Review Board reviewed the submissions from all parties regarding the differing approaches to establishing SSWQOs.

The Review Board is of the view that the implementation of either approach to site specific water quality objectives is not likely to significantly impact water quality in Prairie Creek in the area of the mine site, in Prairie Creek at the Nahanni National Park Reserve boundary or in Prairie Creek at its confluence with the South Nahanni River.

The Review Board concluded that either approach to SSWQOs would produce a result that was not likely to have any significant adverse impacts on the environment. The Review Board specifically left the issue of what SSWQOs would be used to establish EQCs to the Mackenzie Valley Land and Water Board, stating at page 30, “The Review Board will not provide a recommendation on effluent quality criteria because it is the responsibility of the Mackenzie Valley Land and Water Board.” The Review Board recognizes that the Mackenzie Valley Land and Water Board will decide the limits to protect water quality that are appropriate for this project and setting.

The Review Board provided a suggestion to improve the monitoring and management of potential impacts from the development of the Prairie Creek Mine. It noted that construction of a second water storage pond may address a broader range of risks and result in better water management on site and improved water quality in Prairie Creek. The Review Board suggested that the Water Board consider this during the licensing phase.

The main purpose of a Water Licence is to regulate the discharge of water to the environment via the application of licence terms and conditions and the establishment of effluent quality criteria. CZN proposed a water management plan that includes real-time flow monitoring of the Prairie Creek stream, and discharge of treated mine water and treated process water according to a ‘load-based’ approach. In this approach, the volume and the blend of discharge (comprised of treated mine water and treated process water) are varied according to the actual flow volumes in the receiving stream. In so doing, site-specific water quality objectives can be met, and there is no significant negative impact on the receiving environment.

The Water Board accepted the site-specific water quality objectives derived by Canadian Zinc. These are almost all more stringent than the country-wide guideline values adopted by the Canadian Council of Ministers of the Environment. The Board also determined, after many months of review and study, that effluent quality criteria using a variable load-based discharge approach, as proposed by Canadian Zinc, will be a more protective and practical way of controlling effluent discharge from the mine to Prairie Creek. The Board recognized that this is a new approach compared to the standard fixed EQC, but believes that practical and effective mechanisms can be put in place to ensure compliance.

In 2012 Environment Canada initiated a 10 Year Review process of the Metal Mining Effluent Regulations (“MMER”). The review is focused on proposed amendments to MMER that would include more stringent effluent limits and, among other proposals, make changes to the Environmental Effects Monitoring program. Environment Canada proposes to establish BATEA based (best available technology economically achievable) effluent limits as a means to promote continuous improvement in the sector. On May 13, 2017, the proposed Regulations Amending the Metal Mining Effluent Regulations, were published in Canada Gazette Part 1. The proposed Amendments would impose more stringent limits for arsenic, copper, cyanide, lead, nickel, and zinc, as well as

introduce limits for un-ionized ammonia. Several amendments are proposed to improve the efficiency of the environmental effects monitoring performance measurement and evaluation requirements. The proposed Amendments would require that mine effluent not be acutely lethal to *Daphnia magna* whereby a first acute lethality failure for *Daphnia magna* would not result in a loss of the authority to deposit, while subsequent failures would. The proposed Amendments would come into force on the day on which they are registered, which is expected to take place in 2018.

The Company has made application to the Mackenzie Valley Land and Water Board for an amendment to Water Licence MV2001L2-0003 to amend the zinc compliance levels to reflect the levels prescribed in the federal Metal Mining Effluent Regulations and the application is awaiting decision by the Water Board.

Fish: Bull trout and mountain whitefish are found in Prairie Creek near the Mine, however numbers are low. Spawning trout have been found in Funeral Creek, a tributary of Prairie Creek upstream of the Mine. No evidence of spawning has been found downstream of the Mine. Based on the water quality predictions, mine operations should have no impact on fish. Water quality after Mine closure may cause limited impacts in the immediate vicinity of the Mine site when Prairie Creek flows are less than normal winter levels. These impacts may have occurred naturally before the Mine existed.

Air: New power generators and an incinerator will limit the release of exhaust gases. Humid conditions will naturally control dust. Any impacts will be limited to the Mine area.

Wildlife and Vegetation: Impacts to wildlife from Mine operations are expected to be limited and largely avoidable. Dall's sheep lamb on high ground in the area in the spring and could be disturbed by air traffic. Flight path management will be adopted. There is a potential for mortality of Dall's sheep, woodland caribou and wood bison associated with access road use. A wildlife sighting and notification system will be adopted, in addition to the posting of speed limits. Grizzly bear-human encounters are possible at the Mine site and programs to limit any attraction of bears will be implemented, along with training to respond appropriately to bear encounters. No significant impacts on vegetation are expected because of the relatively small areas of disturbance relative to the large areas of vegetation types.

Terrain and Stability: No large-scale landslide features are evident near the Mine and access road, and the risk of major slope failure appears to be small. Small-scale slope failures and mudflows are possible along the access road east of the Mackenzie Mountains, particularly where permafrost might exist in lowland areas. Impacts can be minimized by good drainage and avoiding removal of the vegetation layer during annual road construction. Engineered structures (the Water Storage Pond and Waste Rock Pile) have been designed to be stable during earthquakes. Dykes protecting the site during major floods were designed and built properly. Maintenance repairs have been made to the armour rock on the dykes.

Accidents and Malfunctions: The majority of Mine activities, and all those associated with chemicals, fuel and hazardous material, will take place within a dyke-protected area, isolated from Prairie Creek. Any spills or contamination can be contained on site, and discharge of site water to the environment can be stopped temporarily. The potential for spills or leaks along the access road will be minimized by controlling road use and using industry-standard containers for transport and storage. Winter conditions will assist in the containment of any spills until a response team can complete a clean-up. The bags of concentrate being transported will be frozen, but road bed tests will be made along the route to make sure material is not being lost.

Cumulative Effects: Very little other activity is or will likely be occurring in the area during Mine operations that could cause cumulative effects. If the Mackenzie Gas Pipeline construction occurs during the life of the Mine, there will be significant regional disruption, but this is unlikely to significantly affect the Mine because the pipeline will require short-term skilled labour. Unauthorized use of the access road would raise safety and wildlife concerns. Canadian Zinc is hoping to control access, and will closely monitor road activity.

Climate Change: Climate change is not expected to significantly affect the Prairie Creek Mine itself. Experience in recent years would indicate that Winter seasons in the north of Canada have been getting somewhat shorter and a little warmer. Climate change may alter the pattern of stream flows somewhat. It is planned that the Mine will discharge mine water to the receiving stream environment, which will be contingent on adequate water flow in the

receiving stream and the rate of discharge will be managed and controlled using on-site water storage, thereby compensating for any potential flow variations.

The Company identified some climate change project risks from reliance on a winter-only access road and with a large volume of concentrates to transport out, and supplies to bring in to the mine site, each year, the decision was taken to propose construction and operation of an all season road. Constructing and operating the All Season Road will need to consider potential climate change. Natural thaw of discontinuous permafrost can be anticipated, which could lead to soil instability and potentially slope failures. Road investigation and design will account for these possibilities as much as possible and ongoing road maintenance may be required to address zones of thaw and settlement, as well as local soil movement or erosion.

Monitoring and Reporting: Significant monitoring of the Mine site, access road and the environment will occur during and after the Mine's life. Monitoring programs will include water, soil and air quality, hydrology, wildlife, harvesting, aquatics, traffic and access control. Canadian Zinc expects individuals from local communities to be involved in this monitoring, both as employees and independent monitors. Canadian Zinc hosted two environmental monitor training courses at the Mine site for local Indigenous people in order to develop a labour pool for future monitors. Canadian Zinc undertakes to share the monitoring results with local communities and regulatory agencies. It is contemplated that the Canadian Zinc-Parks Canada-Dehcho First Nations Technical Committee will become a more public, inclusive Advisory Committee that will meet three times per year in the region. It is expected that the Advisory Committee will be a forum for review of Mine and access road environmental performance and to discuss and address any concerns. Monitoring data will be presented and discussed, with consideration of adjustments to programs as appropriate. Data from independent monitoring will be compared to project monitoring, and any significant differences discussed. At one of the meetings each year, regulators will be invited and compliance with permits will be considered. Canadian Zinc will produce annual monitoring and permit compliance reports.

Acid Rock Drainage

The mineral resources at the Prairie Creek Mine are hosted in carbonate rocks. The low sulphide values and high excess neutralization potential of the host rocks (and tailings products) indicate that these materials will pose no long-term hazard to the environment through sulphide oxidation processes.

Rescan Environmental of Vancouver, B.C. undertook a detailed analysis of the acid generating characteristics of all dominant rock types at the Prairie Creek Mine in 1994. The results indicated an overwhelming dominance of acid neutralizing minerals, with acid neutralizing carbonate minerals exceeding the total capacity to generate acidity by an average factor of almost 200. Initial analysis of flotation tailings generated from metallurgical test work has indicated a similar excess of neutralization potential. The Company does not anticipate the potential for any acid rock drainage impacts.

Mesh Environmental Inc. ("**Mesh**") undertook a follow-up study during 2005/06, with the objectives of significantly expanding Rescan's 1994 rock sample dataset and incorporating analyses on mineralized rock samples, tailings and concentrates. Sample collection was completed by Mesh at the Mine Site during September 2005. A total 66 samples were included in Mesh's characterization program.

A total of ten process waste samples, including mill rock, flotation feed, tailings and concentrate samples from tests performed in 2005 were provided by SGS Lakefield Research Limited in Lakefield, Ontario (ISO 9001-2000 accredited). So-called mill rock is wall rock dilution that will be separated from mineralized material in the processing plant.

Static laboratory geochemical characterizations were carried out by Mesh, including acid-base accounting ("**ABA**"), along with: total inorganic carbon and multi-element ICP analyses on all samples; and mineralogy, expanded ABA (pyritic sulphur, siderite correction, acid-buffering characterization curves) and grain size analyses on a sub-set of samples. The following conclusions were made:

- All the host rock units are non-potentially acid generating ("**non-PAG**"), due to generally low amounts of contained sulphur (less than one percent of total sulphur) and the substantial effective buffering capacity provided by reactive carbonates, the latter reflecting the carbonate-rich nature of the host rock material

(which conclusion is supported by the behavior of mixed waste rock that has been exposed on surface at the Mine Site for 25 years, which waste rock does not demonstrate acidic pH values and remains classified as non-PAG as a result);

- Main Zone vein- and stratabound-mineralization are classified as potentially acid generating due to an abundance of sulphide mineralization (although Mesh's kinetic test data to December 2006 suggests that it may take a substantial amount of time for acidity to be generated, due to the significant amount of buffering capacity available from the carbonate host rocks);
- the two mill rock samples produced as by-products from Main Zone vein mineralization and overbreak are non-PAG and contain relatively low sulphur values (approximately 0.3 percent, or less);
- the final composite tailings samples are classified as non-PAG and contain sufficient buffering capacity to maintain neutral conditions under laboratory conditions;
- tailings supernatant is alkaline (pH 10.7 to 10.9), with total solids in solution of five to 500 milligrams and relatively high sulphate concentrations of 170 to 230 milligrams per litre, respectively, over the two hour test period;
- sulphide concentrates are classified as potentially acid generating due to slightly elevated pyritic sulphur content and very little neutralization capacity;
- as a result of substantially higher neutralization potential, oxide concentrates are classified as non-PAG (oxide zinc concentrate) and as having uncertain acid generation potential (oxide lead concentrate).

Hazardous Materials

Hazardous and toxic waste materials have been stored at the Prairie Creek Mine site, including sodium cyanide and PCB's that remained from Cadillac's operations in the early 1980s. Diesel fuel is also stored on site. All such substances are or were stored in a secured manner and are regularly inspected by government agencies.

A disposal project for the cyanide commenced in 2007 and in July 2008, following receipt of the necessary regulatory approvals, the repacked sodium cyanide drums were transported to Cyanide Destruct Systems in Barrie, Ontario and the repackaging waste was removed to Earth Tech's Swan Hills Treatment Centre in Alberta for destruction and disposal.

In 2010, a program was undertaken to remove, by airlift, all PCB (polychlorinated biphenyls) contaminated material that had been stored in a dedicated safe facility on site since 1982. The Company contracted Hazco Environmental Services to repackage, remove and transport the PCB material off-site to be disposed of, by incineration, at the certified Earth Tech Swan Hills disposal facilities in Northern Alberta.

An inspection of the Prairie Creek Mine site by Government of the Northwest Territories (GNWT) Lands Inspectors in August, 2016 in connection with existing Surface Lease 95F-10-005 identified the condition of drums containing sodium xanthate as a concern. In the Inspection Report dated September 30, 2016 Lands Department, GNWT, directed CZN that all compromised drums be replaced with sealable containers or removed from site. A letter from GNWT dated August 21, 2017 required CZN to repack leaking and/or compromised xanthate drums with approved packaging in accordance with applicable federal and territorial legislation and regulations. In September 2017, all xanthate drums were over packed into the soft over pack bags. In October 2017, GNWT noted some outstanding issues, including the 'certification' of the Reagent Pad (where the xanthate is stored). In November 2017, CZN described the process and details of the over packing and provided the relevant information to 'certify' the Reagent Pad. CZN believes it has addressed and satisfied the issues raised in the Inspection Reports and subsequent letters and has complied with all requests and directions of GNWT regarding the sodium xanthate the Surface Lease.

Endangered Species

The federal, provincial, and territorial government signatories under the Accord for the Protection of Species at Risk (1996) agreed to establish complementary legislation and programs that provide for effective protection of species at risk throughout Canada. Under the *Species at Risk Act* (S.C. 2002, c.29) (SARA), the federal competent ministers are responsible for the preparation of recovery strategies for listed Extirpated, Endangered, and Threatened species.

The Committee on the Status of Endangered Wildlife in Canada (“COSEWIC”) lists only two species in the area of the Prairie Creek Mine: the Grizzly Bear (*Ursus arctos*) and the Wolverine (*Gulo gulo*), both of which are listed in the Special Concern category. In areas removed from the minesite, COSEWIC lists the Peregrine Falcon (*Falco peregrinus anatum*), the Woodland Caribou, Boreal population (*Rangifer tarandus caribou*) and the Wood Bison (*Bison bison athabasca*), each of which are considered threatened. No rare or highly valued species of vegetation or plant communities have been identified in the area. COSEWIC does not list any plant species as endangered, threatened or of special concern in the area of the Prairie Creek Mine.

Detailed field studies of wildlife populations and wildlife habitat in the area of the Prairie Creek Mine and the access road were conducted by Beak Consultants Inc. in 1980-81 and again by Rescan in 1994. None of the listed species and no critical habitats, such as denning or nesting areas, were identified in the area of the Mine. Grizzly bears and wolverines have been observed or encountered only very infrequently in the area surrounding the mine over the past 20 years.

Specific surveys of potential Peregrine falcon nesting habitat have identified no nesting sites in the area of the minesite.

Wood bison were re-introduced into the Nahanni Butte area, 90 kilometres to the southeast of the Prairie Creek Mine, in 1980 with additions to the herd made in 1989 and again in 1998. Potential impacts to these populations are primarily transportation related, in this case primarily in the area of the Liard Highway, and can be mitigated through standard road safety practices.

In 2011, Environment Canada published a proposed recovery strategy on the Boreal population of Woodland Caribou (*Rangifer tarandus caribou*), referred to as boreal caribou, which were assessed in May 2002 as ‘Threatened’ by the Committee on the Status of Endangered Wildlife in Canada (COSEWIC). [Environment Canada. 2011. Recovery Strategy for the Woodland Caribou, Boreal population (*Rangifer tarandus caribou*) in Canada [Proposed]. *Species at Risk Act Recovery Strategy Series*.] The long-term recovery goal for boreal caribou is to achieve self-sustaining local populations throughout their distribution in Canada to the extent possible.

Boreal caribou are primarily threatened by a reduction in the availability and suitability of habitat necessary to carry out the life processes necessary for their survival and reproduction. They require large range areas comprised of continuous tracts of undisturbed habitat rich in mature to old-growth coniferous forest, lichens, muskegs, peatlands, and upland or hilly areas. Large range areas with suitable quality habitat allow boreal caribou to disperse across the landscape when conditions are unfavourable (e.g. natural wildfire disturbance, anthropogenic disturbance) and to maintain low population densities throughout the range to reduce the risk of predation. Threats, primarily habitat alteration (i.e. habitat loss, degradation, and fragmentation) from both anthropogenic and natural stressors, and predation have resulted in local population declines throughout their distribution.

Boreal caribou are distributed broadly throughout the boreal forest region, including in the Mackenzie Mountains of the Northwest Territories. In 2010, the Company completed two wildlife surveys with Golder & Associates and Parks Canada, by fixed wing airplane, along the proposed winter road route to the Prairie Creek Mine in order to further assess the wildlife population, with an emphasis on caribou. Caribou populations and potential caribou habitat have been identified in areas removed from the Prairie Creek Mine to the north and east in the Mackenzie Mountains. Potential impacts to these populations are primarily transportation related and can be mitigated through standard road safety practices.

In September 2014, Canadian Zinc completed helicopter-supported environmental field studies along the proposed route of an all season road. Environmental studies included a caribou occupancy wildlife survey, habitat data collection at fish-bearing stream crossings.

During the summer of 2017, three separate field programs relating to the All Season Road were completed. The programs were part of the Company’s further commitments to the route assessment made during the EA process and included additional baseline environmental studies including, bird, wildlife and vegetation studies.

Nahanni National Park Reserve / Parks Canada Memorandum of Understanding

The South Nahanni River is highly valued as a wilderness recreation river and is used for canoeing trips during the summer months. These wilderness adventure tours are supported by a number of outfitting companies from as far away as Ontario.

The Nahanni National Park Reserve was created in 1972, following a canoe trip down the river by then Prime Minister Pierre Elliot Trudeau, specifically for the purpose of setting aside the South Nahanni River for wilderness recreational purposes. Exploration activity at Prairie Creek had been ongoing for many years prior to 1972 and underground development was well advanced at that point in time.

Parliament formally established Nahanni National Park Reserve of Canada in 1972, legally protecting it as Canada's 26th National Park under the Canada National Parks Act. It was established as a National Park Reserve in view of the fact that there were outstanding land claims in the area. It will only become a fully-fledged National Park once an agreement has been reached with the Dehcho First Nations.

The NNPR is considered to be of global significance. In 1978, it was the first area added by UNESCO to its list of World Heritage Sites. There are only 13 sites in Canada designated as World Heritage Sites, eight of them being National Parks. Nahanni received this designation because of the geological processes and natural phenomena in the area. In UNESCO's view, NNPR is special because it is an unexploited natural area. The presence in this area of three river canyons cutting at right angles to the mountain ranges, with walls of up to 1,000 metres high, Virginia Falls which falls over 90 metres, hot springs, sink holes and karst topography are considered a special combination.

In considering and approving the nomination of NNPR for World Heritage Status, the World Heritage Committee stated that "it would be desirable to incorporate the entire upstream watershed in the World Heritage Site." In 1977, the Minister responsible for Parks Canada directed Parks Canada to examine the possibility of expanding NNPR to include more of the head waters of the South Nahanni and the karst terrain. Several studies were conducted to assess this potential.

In June 2009, new legislation was enacted by the Canadian Parliament entitled "*An Act to amend the Canada National Parks Act to enlarge Nahanni National Park Reserve of Canada*" to provide for the expansion of Nahanni National Park Reserve. Nahanni National Park Reserve was expanded by 30,000 km², making it the third largest National Park in Canada. The enlarged Park covers most of the South Nahanni River watershed and completely encircles the Prairie Creek Mine. However, the Mine itself and a large surrounding area of approximately 300 km² are specifically excluded from the Park and are not part of the expanded Park.

The exclusion of the Prairie Creek Mine from the NNPR expansion area has brought clarity to the land use policy objectives for the region and will facilitate various aspects of the environmental assessment process. The Government's decision on the expansion of NNPR reflects a balanced approach to development and to conservation which allows for mineral resource and energy development in the Northwest Territories and at the same time protects the environment.

Section 7(1) of the new Act amended the *Canada National Parks Act* to enable the Minister of the Environment to enter into leases or licences of occupation of, and easements over, public lands situated in the expansion area for the purposes of a mining access road leading to the Prairie Creek Area, including the sites of storage and other facilities connected with that road. Heretofore, an access road to a mine through a National Park was not permitted under the *Canada National Parks Act*, and the Act was amended solely for Nahanni National Park Reserve and specifically for the purpose of providing access to the Prairie Creek Area.

On July 29, 2008, Parks Canada Agency ("**Parks Canada**") and Canadian Zinc entered into a MOU with regard to the expansion of the NNPR and the development of the Prairie Creek Mine, whereby:

- Parks Canada and Canadian Zinc agreed to work collaboratively, within their respective areas of responsibility, authority and jurisdiction, to achieve their respective goals of an expanded Nahanni National Park Reserve and an operating Prairie Creek Mine.

- Parks Canada recognized and respects the right of Canadian Zinc to develop the Prairie Creek Mine and was to manage the expansion of Nahanni National Park Reserve so that the expansion did not in its own right negatively affect development of, or reasonable access to and from, the Prairie Creek Mine.
- Canadian Zinc accepted and supported the proposed expansion of the Nahanni National Park Reserve and will manage the development of the Prairie Creek Mine so the mine does not, in its own right, negatively affect the expansion of the Nahanni National Park Reserve.

The 2008 MOU was intended to cover the period up to the development of the Prairie Creek Mine (Phase I).

In February 2012, Canadian Zinc and Parks Canada signed a renewed Memorandum of Understanding regarding the operation and development of the Prairie Creek Mine and the management of Nahanni National Park Reserve. The MOU, which was valid for three years, replaced the previous MOU signed between the Parties in 2008.

In November 2015, Canadian Zinc and Parks Canada signed a Memorandum of Understanding Phase III 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.
- Parks Canada recognizes and respects the right of Canadian Zinc to develop the Prairie Creek Mine and has granted Land Use Permit 2009 – L02 to provide road access through the Park to the Mine area.
- Canadian Zinc acknowledges the cooperative management relationship Parks Canada shares with the Dehcho First Nations in the management of Nahanni National Park Reserve. This includes recognition of the 2003 Parks Canada - Dehcho First Nation Interim Park Management Arrangement and the role of the cooperative management mechanism –Nah?a Dehé Consensus Team.

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

The Parties also agreed to share with one another and the Technical Team any existing technical and scientific information relevant to a discussion and analysis of issues of common interest to the Parties. The parties have agreed to make reasonable efforts to be timely in regards to permit requests being submitted, with ample time for review and consultation, such review and consultation will occur without unreasonable delay.

The MOU is an expression of the mutual intentions of the parties and is not legally binding on them or enforceable against them. The MOU does not create any new powers or duties or alter or affect any rights, powers and duties established by law, including by the Parks Canada Agency Act and the Canada National Parks Act, or result in the Parties relinquishing any right, jurisdiction, power, privilege, prerogative or immunity.

To the extent that the Prairie Creek Mine is subject to regulatory or government processes, including hearings, Parks Canada reserves the right, while recognizing the intent of the MOU, to participate in any such process and take such positions as it sees fit and the MOU does not, and is not intended to constrain Parks Canada from doing so, subject only to the understanding that in doing so Parks Canada will not object to or oppose, in principle, the development of the Prairie Creek Mine.

Environmental Obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets, when those obligations result from the

acquisition, construction, development or normal operation of the assets. Initially, a provision for a decommissioning liability 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 liability, 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. Following the initial recognition of a decommissioning liability, the carrying amount of the liability 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. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the decommissioning liability and the decommissioning asset.

Reclamation and closure costs for the Prairie Creek Property have been estimated based on the Company's understanding of its current obligations under its 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 15 years. These reclamation and closure costs have been measured based on the net present value of the best estimate of future cash expenditures.

The Company's undiscounted decommissioning liability for the Prairie Creek site, as it currently exists, is calculated as at December 31, 2017 to be \$2,728,000 (December 31, 2016 - \$2,728,000), 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 estimated to be 2036. The discounted decommissioning liability is calculated using a risk free rate of 2.22% per annum (December 31, 2016 – 2.21%).

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 liability estimates at the end of each reporting period to determine whether the estimates continue to be appropriate. Other than specific environmental matters discussed in this Annual Report, the Company is not aware of any material environmental matter requiring significant capital outlays in the immediate future.

The Company currently holds a surface lease, issued by the Minister of Aboriginal Affairs and Northern Development Canada, which limits the use of the land for mine site care and maintenance purposes only and establishes the Company's current responsibility for abandonment and restoration in accordance with an abandonment and restoration plan attached as a schedule to the surface lease. The Company applied to the Minister of Aboriginal Affairs and Northern Development Canada for a new surface lease for production to replace the existing care and maintenance surface lease. Following the devolution of lands and resource management in the NWT from the Government of Canada to the GNWT in 2014, the application for a new surface lease will be processed by the Government of Northwest Territories.

In September 2013, the Company was issued with the Type "A" Water Licence MV2008L2-002 by the Mackenzie Valley Water Board. The Licence is subject to numerous conditions, including the requirement to post and maintain security, in stages, with the Minister of Aboriginal Affairs and Northern Development Canada totaling \$13.07 million, on a schedule of \$3 million within ninety days of the effective date of the licence, \$5 million prior to extracting waste rock from the underground mine and \$5.07 million prior to commencing milling.

In June 2013, the MVLWB issued Land Use Permit MV2008D0014 which permits Canadian Zinc to extract ore and waste rock from the Prairie Creek Mine, operate a flotation mill concentrator to produce zinc and lead concentrates, create a waste rock facility, and refurbish and develop site facilities in support of the mining operation, along with the eventual closure and reclamation of the mine site. This permit is subject to numerous conditions including the requirement to deposit, in stages, with the Minister of Aboriginal Affairs and Northern Development Canada security of \$3 million within ninety days of the issue of the permit and additional \$1 million prior to the commencement of construction upgrades to the mill.

In June and December 2013, the Company filed requests with the MVLWB for amendments to the timing schedules of the various security deposits to be provided to the Minister of Aboriginal Affairs and Northern Development Canada under the Type "A" Water Licence and the Land Use Permit. The Department of Aboriginal

Affairs and Northern Development Canada has confirmed to the MVLWB that the Board's assessment of the Company's liability for the site and cost of closure and reclamation is not applicable until a new surface lease for production replaces the existing care and maintenance surface lease.

In August 2014, CZN submitted an amended development schedule for the Prairie Creek Mine to the MVLWB and this was followed up by an application to the MVLWB in October 2014 requesting that the Water Licence be held in abeyance until more certainty develops around the actual commencement of construction and the mine development schedule.

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.

The Company also holds various land use permits, water licences and construction permits from the MVLWB and Parks Canada with the requirement to post security for future reclamation in the total amount of \$3.33 million, to be posted prior to construction of infrastructure or commencement of operations. The Company has previously posted reclamation security deposits in support of current reclamation obligations in the amount of \$525,000 and now has a total of \$2.075 million posted. The Company does not anticipate any requirement to post additional funds until project construction is initiated.

First Nations Indigenous Groups

The Prairie Creek Mine is located on land claimed by the Naha Dehe Dene Band of Nahanni Butte as their traditional territory. There is no other existing land occupation, or commercial land or water based activities in the vicinity of the Prairie Creek Mine. Similarly, no traditional use or trapping activity has been observed in the minesite area in recent history. There is no permanent road access into the Prairie Creek Property, other than the existing Winter Road which was established in 1981. Regular access is by air only to a private airstrip controlled by the Company.

The Nahanni Butte (Nahaahdee) Dene Band is a "band" pursuant to the Indian Act RSC 1985 and is part of the Dehcho Indigenous group. The members of the Dehcho are Aboriginal people within the meaning of Section 35 of the Constitution Act, 1982.

The Dehcho are a distinct group of Aboriginal people, whose ancestors were among the South Slavey people of the Dene Nation of what is now the Northwest Territories, and the Metis people within the Dehcho territory. The Dehcho have had their own system of laws, religion, economy, customs, traditions and language since time immemorial. Many Dehcho people continue to rely heavily on the land, water and resources within Dehcho territory for sustenance, social and ceremonial purposes. The Dehcho territory has an area of approximately 210,000 km² and has a native population of approximately 3,500 as estimated by the NWT Bureau of Statistics in July 2017.

The Dehcho Aboriginal communities hold collective Aboriginal title and rights and treaty rights to Dehcho territory and hold other Aboriginal rights as a collective in relation to their land and governance over the land and the Dehcho people.

Until 2017 the Naha Dehe Dene Band were members of the Dehcho First Nations ("DFN" or "DCFN") but in 2017 served notice that they were withdrawing from the DFN.

The DCFN is an organization representing the Dene and Metis peoples in the Dehcho territory of the Northwest Territories which comprise nine individual member communities around the southwest NWT who work together to protect and promote their shared interests. The DCFN is incorporated as a society under the laws of the Northwest Territories to provide leadership, governance, administration and program delivery to their member communities. The DCFN is a governing body of the Dehcho people lands, and is one of seven local government administrative

regions in the Northwest Territories which administers oversees a number of programs and services for its member communities including those relating to health, employment, education, and land and resource management.

In the Mackenzie Valley, land is owned, or managed, controlled and administered by different governments or landowners. Land can be either Crown or Commissioner's land administered by land managers, or privately owned.

In the Northwest Territories, private lands are owned largely by First Nations with settled land claims. There are currently three major landowners in the Mackenzie Valley - the Gwich'in, Sahtu and Tlicho. It is anticipated that as claims are settled in the Dehcho region, more private lands will be created and Aboriginal groups will become recognized landowners in their respective regions.

The Federal Government has recognized that the inherent right of self-government is an existing Aboriginal right recognized and affirmed by Section 35 of the Constitution Act, 1982. The Federal Government first attempted to negotiate land claim settlements in the Northwest Territories, with the Dene/Metis in the late 1980s without success. Subsequently, settlement agreements were reached first with the Gwich'in and Sahtu Dene/Metis people and later with the Tlicho in 2005. The Dehcho have not settled their land claim with the Federal Government. The Dehcho and the Federal Government of Canada both claim legal title to this territory, the Dehcho by virtue of historical occupation and the Federal Government under Treaty 8, signed in 1900, and Treaty 11 signed in 1921 and 1922. The Federal Government and the Dehcho First Nations disagree on the interpretation of Treaties 8 and 11 and legal title to the land remains in dispute. Canada maintains that under the Treaties the Dehcho extinguished ownership of their traditional lands. The Dehcho have threatened to take the Federal Government to court, or to the United Nations, over the key issue of sovereignty.

Since the mid-1990s the Dehcho and the Federal Government and the Government of the Northwest Territories have been engaged in ongoing land settlement negotiations in what is referred to as the "*Dehcho Process*," whereby the Federal Government and the Government of the Northwest Territories have agreed to negotiate with the Dehcho First Nations on a government to government basis in order to set out land, resources and governance rights to apply in the Dehcho territory. The objective of negotiations is to complete a Dehcho Final Agreement which clarifies and builds upon existing Treaties by implementing a Dehcho government which will make laws and deliver programs and services; be a public government based upon Dehcho laws and customs and other Canadian laws and customs; and be the primary government for the delivery of programs and services to residents of the Dehcho territory. The Final Agreement will also describe intergovernmental relationships and jurisdictions, provide for certainty and clarity of rights respecting land, resources and governance and provide for the use, management and conservation of land, water and other resources, including wildlife, fish and their habitat in the Dehcho territory.

Early negotiations proved very slow in part because the Dehcho initially rejected the land selection process by which other land claim disputes have been typically settled in the North. Under the typical system, the Federal Government and First Nations select by negotiation particular areas of land in the area under dispute. Once selected the Government makes a financial payment and the claim is settled. However, the DCFN have been holding out for full constitutional, legal and governmental control over their entire region, where effectively the laws of Canada would no longer apply, and this has led to lengthy and difficult negotiations.

The DCFN's position is that the *Mackenzie Valley Resource Management Act* cannot and should not apply within Dehcho territory; that the legislation was enacted without the participation of, or any consultation with, the DCFN; and was imposed on the Dehcho territory against DCFN wishes. The DCFN have stated that the Final Agreement must, among other things, include a new resource management regime in Dehcho territory other than the *Mackenzie Valley Resource Management Act*.

In 2001, the Federal Government and the Dehcho First Nations entered into a *Framework Agreement* dated May 23, 2001. The Framework Agreement contemplates providing a structure for the negotiation of the *Final Agreement*. However, all negotiations are without prejudice to the legal position of the parties and nothing in the Framework Agreement is to be interpreted as creating, recognizing or denying rights or obligations of any of the parties. The Federal Government and the Dehcho agreed that it is desirable that the negotiations proceed at a pace which allows for the people of the Dehcho territory, and particularly the Elders, to remain fully informed and involved in the process.

As contemplated in the Framework Agreement, an *Interim Measures Agreement*, also dated May 23, 2001, was executed between the parties to provide for interim arrangements pending the negotiation and signing of the Dehcho Final Agreement.

Under the Interim Measures Agreement, the Governments and the Dehcho agreed to develop a land use plan for the Dehcho lands outside Nahanni National Park Reserve and for that purpose to establish a Land Use Planning Committee. The purpose of the Land Use Plan is to provide for the conservation, development and utilization of the land, waters and other resources in the Dehcho territory, taking into consideration the principles of respect for the land, as understood and explained by the Dehcho Elders, and sustainable development.

Under the Interim Measures Agreement, Canada and the Dehcho agreed to negotiate for the purpose of identifying lands to be withdrawn from disposal and mineral staking and Canada agreed to withdraw from disposal, by Order in Council under the *Territorial Lands Act*, the lands identified in this process.

The Interim Measures Agreement specifically provides at sections 19 and 23 that land withdrawn from disposal under the Agreement shall be subject to the continuing exercise of existing rights, titles, interests, entitlements, licences and permits and that the provisions of the Agreement shall not effect access to or across withdrawn lands.

The Agreement also provides that no new water licences or land use permits will be issued under the *Mackenzie Valley Resource Management Act* within the Dehcho territory except after written notice to the Dehcho First Nations and after a reasonable period of time for the Dehcho to make representations with respect to the application for such licence or permit. Canada also agreed not to issue any new prospecting permits under the *Canada Mining Regulations* in the Dehcho territory without the support of the affected Dehcho First Nation.

The parties also agreed to enter into negotiations for the purpose of concluding an *Interim Resource Development Agreement* with the objective of fostering resource development in the Dehcho Territory and to accrue benefits from Canada to the Dehcho First Nations. An Interim Resource Development Agreement was signed on April 17, 2003 under which Canada agreed to provide to the Dehcho First Nations a percentage of Federal resource royalties collected from the Dehcho area of the Mackenzie Valley.

Canada also agreed that the Final Agreement will ensure that a major mining project that requires any authorization from Canada, and that will impact on the Dehcho, shall be subject to negotiation with the Dehcho of an agreement relating to that project. A major mining project is defined as a project related to the development or production of minerals that will employ an average of 50 persons annually for the first five years in the Dehcho territory and for which more than \$50 million will be expended in capital costs. The Company believes that the Prairie Creek Project is currently the only such major mining project in the Dehcho territory.

The Interim Measures Agreement also provided that the Dehcho may propose protected areas for land withdrawal or permanent protection under the Northwest Territories Protected Areas Strategy. The parties also agreed to negotiate an interim management arrangement respecting the management of Nahanni National Park Reserve.

The Interim Measures Agreement was made without prejudice to the legal position of the parties and nothing in the Agreement is to be interpreted as creating, recognizing or denying rights or obligations on the part of the parties.

In 2003, Canada and the Dehcho agreed to an interim withdrawal of lands covering an area of approximately 80,000 km² for a period of five years. The withdrawal was confirmed by Order in Council dated August 13, 2003. The areas of the withdrawn lands do not include the Prairie Creek Mine but include all of the Company's Mining Lease 2854 and part of Mining Leases 2931, 3314 and 3313. The withdrawn land also includes an area over which part of the Company's road to the Prairie Creek Property passes. However in accordance with Sections 19 and 23 of the Interim Measures Agreement such withdrawal is subject to the continuing exercise of existing rights, titles, interests, entitlements, licences, permits, reservations, benefits and privileges and does not affect access to or across withdrawn land.

In August 2003, a *Memorandum of Understanding respecting the expansion of Nahanni National Park Reserve* dated 24 June 2003 was signed between the Dehcho and the Parks Canada Agency, whereby as part of the Dehcho Process, Parks Canada and the Dehcho agreed to work co-operatively towards completion of a feasibility study towards the addition of the identified lands to the Nahanni National Park Reserve and to recommend an

amendment to the Canada National Parks Act for a new boundary for the expansion of the Nahanni National Park Reserve and, as part of the Dehcho Final Agreement, moving the Nahanni National Park Reserve to full National Park status under the Canada National Parks Act.

At the same time in August 2003, an *Interim Park Management Arrangement* for the Nahanni National Park Reserve was signed between the Dehcho and Parks Canada Agency designed to give the Dehcho a greater role in the Park management process. A Consensus Team was established, comprising three appointees of Parks Canada and four from the Dehcho First Nations (two from Nahanni Butte) to address, amongst other things, making recommendations in respect of impacts of land and resource uses in areas outside Nahanni National Park Reserve.

Under the Arrangement the Dehcho and Parks Canada agreed that while the current jurisdiction of Parks Canada is restricted to Nahanni National Park Reserve, the ecological integrity of the Park Reserve depends on the ecological integrity of the South Nahanni River watershed as a whole. The Prairie Creek Mine is located within the watershed of the South Nahanni River.

The Interim Park Management Arrangement is a statement of interests only and is not legally binding. Nothing in the Arrangement obliges Canada to act in a manner inconsistent with federal or territorial legislative or regulatory jurisdictions or authorities and the Nahanni National Park Reserve shall be administered and managed in accordance with the *Canada National Parks Act*.

During 2005, negotiations on the Dehcho Process broke down because of issues surrounding the proposed Mackenzie Valley gas pipeline. In June 2005 the Dehcho First Nations entered into a *Settlement Agreement* with Canada [represented by the Minister of Indian Affairs and Northern Development] to settle Court actions which had been commenced by the Dehcho in the Northwest Territories Supreme Court and in the Federal Court against Canada and the Mackenzie Valley Environmental Impact Review Board arising out of disputes concerning the Mackenzie Gas Project. In the Settlement Agreement Canada and the Dehcho agreed to resolve issues related to the participation of the Dehcho in the environmental and regulatory review of the Mackenzie Gas Project and which they agreed to facilitate.

The Settlement Agreement recites that Canada and the Dehcho have differing views as to the existence and scope of the rights of the Dehcho First Nation(s) recognized by Section 35 of the Constitution Act 1982, and the nature and extent of Canada's requirements to consult with the Dehcho First Nations. In the Settlement Agreement the parties agreed to take all reasonable steps to negotiate the terms of the Dehcho Final Agreement which would include agreement to establish a *Dehcho Resource Management Authority* ("**DCRMA**") which will be a body of public government. The Final Agreement will describe the legal capacity, structure, accountability, rights, powers, privileges and responsibilities of the DCRMA; source(s) of the DCRMA's powers, privileges and responsibilities; relationship of the DCRMA to the Mackenzie Valley Resource Management Act, and rules regarding conflict of laws and the priorities of laws. For greater certainty, the Final Agreement may provide for a standalone DCRMA harmonized with the Mackenzie Valley Resource Management Act. The Settlement Agreement provides that the Final Agreement will provide for the circumstances in which laws within the jurisdiction of the Dehcho First Nations, any successor organization, or any government established pursuant to a Final Agreement, will take priority over the laws of Canada in the event of a conflict. The parties agreed to negotiate a Final Agreement in accordance with the Dehcho First Nations Framework Agreement.

In the Settlement Agreement, the parties agreed to implement a Land Use Plan that is approved by the Dehcho First Nations, approved the Minister of Environment and Natural Resources of the Northwest Territories, and favourably considered by the Minister of Indian and Northern Affairs, Canada, as soon as possible after the Plan's completion.

In the 2005 Settlement Agreement the parties affirmed the Interim Resource Development Agreement dated April 17, 2003 and agreed to take immediate steps to establish a working group comprised of the parties to the Dehcho First Nations Interim Measures Agreement for the purposes of ensuring that the issues arising from the implementation of the Resource Development Agreement are addressed in a timely manner. The parties also agreed that once an Agreement in Principle is ratified, the resource royalty sharing formula set out in the Interim Resource Development Agreement will be replaced with any Resource Revenue Sharing Formula agreed to in the Agreement in Principle.

The Settlement Agreement further provides that, except for certain specified articles of the Agreement, the Settlement Agreement is not legally binding and is intended as an expression of goodwill and as a political commitment.

Negotiations under the Dehcho Process continued during 2006 with Canada presenting a formal comprehensive offer of land selection, local governance provisions and financial compensation but this offer was rejected by the Dehcho First Nations. The Dehcho First Nations are insisting on the approval of a Land Use Plan (see below).

The *Dehcho Land Use Planning Committee*, was formally established in February 2002 under the authority of the Dehcho Interim Measures Agreement with the responsibility to prepare a land use plan for the Dehcho territory. The land use planning process is a community driven process where the goals and values of the residents of the Dehcho guide the development of the Plan. The *Dehcho Land Use Planning Committee* works closely with other planning partners such as governments, public agencies, non-government organizations and businesses to fulfill its mandate.

Land use planning boards are responsible for preparing comprehensive land use plans for their respective settlement areas. These plans guide the use of Crown, settlement, and other private lands and provide direction for the conservation, development and use of land, waters and other resources. Essentially, the land use planning boards create plans which lay out the permitted and prohibited uses of all land within a settlement area. They develop land use plans for their regions and recommend approvals, exceptions and amendments to related plans.

A Land Use Plan is a public document that sets aside different areas for different uses, and describes what activities are permitted or not permitted in specified areas. The land use plan applies to both Crown and settlement lands. It does not apply to lands within municipal boundaries or lands within national parks or historic sites.

Once the land use planning board has adopted a Land Use Plan, it must submit the plan to the First Nation of the settlement area, the Territorial Minister and the Federal Minister for approval.

The mission statement of the Dehcho Land Use Planning Committee is to develop a land use plan as a management tool to determine what type of land use activities should occur and where they should take place. The plan will balance economic, social, environmental and cultural needs and interests. The plan will be guided by the principals of sustainable development and respect for the land as understood and explained by the Dehcho Elders. The planning area excludes municipal areas and Nahanni National Park Reserve.

The purpose of the Land Use Plan is to promote the social, environmental, cultural and economic well-being of residents and communities in the Dehcho territory, having regard to the interests of all Canadians. The Plan shall provide for the conservation, development and utilization of the land, waters and other resources in the Dehcho territory.

The *Dehcho Land Use Planning Committee* includes representatives of the Dehcho First Nations, the Government of the Northwest Territories and Government of Canada. As outlined under the Dehcho Interim Measures Agreement the DCFN appointed two members while the two Governments each appointed one member. Upon the recommendation of the *Dehcho Land Use Planning Committee*, the parties to the Interim Measures Agreement appoint a fifth member as Chairperson.

Once approved, the Land Use Plan will provide legally binding direction to regulatory agencies and decision-makers in their assessment of development projects, protected areas proposals and other land uses.

The Land Use planning process considered the traditional use and occupancy information that was gathered to determine the Interim Land Withdrawals, along with other information on the natural resources and the economic and social needs of the communities. In turn, the Plan will guide the revision of the Interim Land Withdrawals based on the new information that has been gathered. Representatives of the Planning Committee visited the Prairie Creek Mine site in September 2004.

The Company made a detailed submission to the Dehcho Land Use Planning Committee and participated in the planning process. The Company commented on each draft of the Plan as such draft was produced and participated in various Public Forums. The Company had concerns about the latest draft of the Land Use Plan (November 2005 – Revised February 2006) and recommended that the draft in its current form not be approved. The

Department of Indian Affairs and Northern Development has also expressed concern to the Committee (January 2006).

The draft Land Use Plan was approved by the General Assembly of the Dehcho First Nations in May 2006 and submitted to the Minister for consideration. The Minister did not accept the Plan arguing that it incorporated too much land to be preserved from development. In April 2007, the Federal Government and the Dehcho First Nations entered into an agreement to form a new Committee with representatives from all sides to negotiate a new revised plan. The Company understands that negotiations on a draft Land Use Plan are continuing intermittently.

Negotiations in the Dehcho Process continued intermittently since 2006 with no apparent progress reported.

In 2008 the Acho Den Koe First Nation (“**ADK**”) of Fort Liard withdrew from the Dehcho First Nations and in 2014 negotiated and signed an Agreement in Principle with the Governments of Canada and the Northwest Territories.

Under the Agreement-in-Principle, Acho Dene Koe First Nation will select approximately 6,474 square kilometers of treaty Settlement Lands to provide Acho Dene Koe First Nation the opportunity to realize the goal of self-government over their traditional territory.

On April 1, 2014 Bill C-15 -The Northwest Territories Devolution Act came into law providing for the devolution of lands and resource management from the Government of Canada to the Government of the Northwest Territories. Devolution in the NWT represents the transfer of decision-making and administration for land and resource management 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.

Following devolution the DCFN and the Government of the Northwest Territories agreed to establish a bilateral process to explore new and innovative solutions to break the log-jams at the main negotiations.

A draft bilateral agreement was tabled and discussed in 2014. The draft agreement provided for land selection, the completion of a Dehcho Land Use Plan and the structure and responsibilities of a Dehcho Resource Management Authority. It was reported in January 2015 that the GNWT offered the Dehcho First Nations land selection of 37,500 square kilometres of their traditional territory, with only surface rights, as well as a generalized interest in the subsurface equivalent of approximately 18% of the Dehcho Settlement Area. The GNWT stated that the offer to the Dehcho First Nations is consistent with previously settled claims in the Mackenzie Valley. It was reported in local media that the GNWT offer is not acceptable to the Dehcho and the DCFN have called for a mediator to work through the dissensions and come to an agreement. It has been reported that the DCFN are reportedly seeking 50,000 square kilometres of land, with surface and subsurface rights.

In September 2017, the Dehcho First Nations asked Canada and the GNWT to return to the negotiating table to complete an agreement on lands and governance as soon as possible to complete the work that began in 2001 and suggested that the parties engage the services of a mediator at the negotiating table to speed up the process. Negotiations had been stalled since April 2017 when the two governments asked the DFN to clarify its positions on the role of the GNWT in Treaty negotiations, and on the development of an integrated system for managing and protecting natural resources in the NWT.

The outcome of the Dehcho Process negotiations is expected to be a Final Agreement that will provide, amongst other things, for the implementation of a Dehcho government within the Dehcho territory. It is expected that the negotiations towards a Dehcho Final Agreement will take many years to complete.

During 2017 the Naha Dehe Dene Band gave notice to Canada and to the GNWT that it was withdrawing from the Dehcho First Nations and would seek to negotiate a land claim settlement agreement on its own.

The Company cannot predict the impact that the withdrawal of the Naha Dehe Dene Band from the Dehcho First Nations, and from the Dehcho Process, or the impact, if any, that the Dehcho Final Agreement, if eventually approved and signed, may have on the Prairie Creek Mine or the permitting thereof. The Company believes that the separate goals of the Dehcho First Nations in achieving political sovereignty and economic self-sufficiency, whilst protecting the environment, are compatible with the development and operation of the Prairie Creek Mine.

On January 18, 2018, the Minister of Crown Indigenous Relations and Northern Affairs Canada, invoked a two-month extension to the timeline for the Minister's decision on the Report of Environmental Assessment for the Prairie Creek All Season Road, originally due by February 12, 2018, to allow the federal and territorial governments to complete aboriginal consultations, including around Crown duties to consult under section 35 of the Constitution.

In connection with such consultations INAC provided Canadian Zinc with certain information requests identifying specific issues raised by Indigenous groups that need further clarity through proponent engagement, so the Responsible Ministers "can be confident that the Crown has discharged its legal duty to consult by meaningfully and completely consulting with impacted Indigenous groups".

INAC has directed Canadian Zinc to engage the Nahanni Butte Dene Band, Liidlii Kue First Nation and the Dehcho First Nations to gain an understanding of the Indigenous groups' requests, discuss and determine how the Indigenous groups will be included in monitoring and discuss the Indigenous groups' requests for support to participate in implementation of the measures recommended by the Review Board and the commitments made by Canadian Zinc in the EA process.

The various measures principally relate to the sharing and inclusion of Dene traditional knowledge and values, how Indigenous groups will be included in environmental monitoring of the Project and the implementation of related measures.

Naha Dehe Dene Band - Nahanni Butte

The Prairie Creek Mine is located 90 kilometres from the nearest settled community of the Naha Dehe Dene Band at Nahanni Butte, located at the confluence of the South Nahanni and Liard Rivers, 146 kilometres downstream of the minesite. The population of Nahanni Butte is approximately 90 people.

In October 2008, Canadian Zinc and the Nahanni Butte Dene Band entered into a MOU, to establish a mutually beneficial, co-operative and productive relationship. In the MOU, the Band agreed to maintain close communication links with Canadian Zinc, participate in good faith in current and pending environmental assessment and regulatory processes, and not to oppose, "in principle," mining operations at Prairie Creek. Canadian Zinc has agreed to apply best efforts to employ Band members and to assist the Band and its community to benefit from business opportunities associated with the exploration and development of the Prairie Creek Project. The MOU also provides for the subsequent negotiation of an Impact Benefits Agreement regarding mining operations. Nothing within the MOU is intended to define, create or extinguish any rights of the Band or Canadian Zinc and the MOU is not legally binding on the parties.

The Company continued discussions and engagement with the Band throughout 2009 and 2010, specifically regarding their Traditional Knowledge and alternate routes for the access road to Prairie Creek, taking into consideration the expressed preferences of the community of Nahanni Butte. The Band outlined their concerns with the project and the Company's responses to date include investigation of road realignment options and surveys of specific locations along the access road for heritage resources.

In January 2011, the Company signed the NAH?A DEHE DENE PRAIRIE CREEK AGREEMENT (the "**Nahanni Agreement**") which provides for an ongoing working relationship between Canadian Zinc Corporation and the Nah?a Dehe Dene Band (Nahanni Butte Dene Band) that respects the goals and aspirations of each party and will enable the Nahanni community members to participate in the opportunities and benefits offered by the Prairie Creek Project and confirms their support for the Prairie Creek Mine.

The Nahanni Agreement provides a framework such that training, employment and business contracts are made available to Nahanni to ensure maximization of benefits from opportunities arising from the Prairie Creek Project in a manner that will be to the mutual benefit of both parties.

The Nah?a Dehe Dene Prairie Creek Agreement provides for a positive and cooperative working relationship between the Company and Nahanni Butte in respect of developing and operating an environmentally sound mining undertaking at Prairie Creek, which will not have significant adverse environmental effects on the ecological integrity of the South Nahanni River or the Nahanni National Park Reserve.

During 2017 the Naha Dehe Dene Band gave notice to Canada and to the GNWT that it was withdrawing from the Dehcho First Nations and would seek to negotiate a land claim settlement agreement on its own in respect of its traditional territory.

The Company is currently in discussions with the Nahanni Butte Dene Band for a supplemental agreement concerning the All Season Road to the Prairie Creek Mine, the proposed route of which passes close to the Nahanni Butte community.

Liidlii Kue First Nation

In June 2011, the Company signed an Impact Benefits Agreement (“**LKFN Agreement**”) with the Liidlii Kue First Nation (“**LKFN**”) of Fort Simpson. The Liidlii Kue First Nation is the largest member of the Dehcho First Nations. The LKFN Agreement is similar in many respects to the above mentioned Nahanni Agreement entered into with the Nahanni Butte Dene Band. The LKFN has agreed to support CZN in obtaining all necessary permits and other regulatory approvals required for the Prairie Creek Mine Project. The Agreement is intended to ensure that CZN undertakes operations in an environmentally sound manner. LKFN will appoint a qualified Monitor to monitor environmental compliance and to monitor impacts of the Mine on the environment or wildlife and to work with CZN to prevent or mitigate such impacts.

The LKFN Agreement provides a framework such that training, employment and business contracts, and some financial provisions are made available to the LKFN to ensure maximization of benefits from opportunities arising from the Prairie Creek Project in a manner that will be to the mutual benefit of all parties.

The Company is in communication with LKFN to seek to clarify the LKFN Agreement and potentially for a supplemental agreement concerning the All Season Road to the Prairie Creek Mine.

Following receipt of a consultation letter dated September 12, 2017 from the Canadian Northern Economic Development Agency (CanNor) and the Government of Northwest Territories to the LKFN to determine whether the environmental assessment process for the Prairie Creek All Season Road addressed any concerns of the LKFN regarding potential adverse impact of the road on established or asserted Aboriginal and/or Treaty rights, the LKFN submitted a reply dated October 20, 2017 in which they suggest that Canadian Zinc must demonstrate in advance of receiving any regulatory approvals that it has the capacity to fully implement the measures proposed by the Review Board, particularly in respect of the measures which propose the direct participation of LKFN and other affected First Nations in monitoring the impacts of the road, participating in Indigenous knowledge studies, informing further technical design of the road and informing adaptive management processes in respect of the project. LKFN submits that Canadian Zinc should be required to enter into legally binding agreements with LKFN and other affected First Nations (either individually or collectively) in advance of any permitting to establish that the necessary funding commitments are in place.

In January 2018, in connection with the Report of Environmental Assessment for the Prairie Creek All Season Road, INAC provided Canadian Zinc with information requests identifying specific issues and concerns raised by LKFN that need further clarity through engagement. INAC directed Canadian Zinc to engage the Liidlii Kue First Nation and the Dehcho First Nations to gain an understanding of the Indigenous groups’ requests, discuss and determine how the Indigenous groups will be included in monitoring and discuss the Indigenous groups’ requests for support to participate in implementation of the measures recommended by the Review Board. The various measures principally relate to the sharing and inclusion of Dene traditional knowledge and values, how Indigenous groups will be included in environmental monitoring of the Project and the implementation of related measures.

Socio-Economic Agreements

In August 2011, the Company signed a Socio-Economic Agreement with the Government of the Northwest Territories related to the planned development of the Prairie Creek Mine. The Socio-Economic Agreement establishes the methods and procedures by which the Company and the GNWT have agreed to work together to maximize the beneficial opportunities and minimize the negative socio-economic impacts arising from an operating Prairie Creek Mine. The Socio-Economic Agreement defines hiring priorities and employment commitments and practices during the construction, operation and closure of the Prairie Creek Mine and across the entire spectrum of project-based employment. The Company has targeted employment levels of at least 60%

Northwest Territories residents and 25% Aboriginals. The Company has agreed to implement policies to maximize business and value-added opportunities for businesses in the Northwest Territories. Canadian Zinc will use its best efforts to ensure that purchases of goods and services through or from Northwest Territories businesses will be at least 30% during construction and at least 60% during operations.

In August 2011, Human Resource and Skills Development Canada, a federal department of the Government of Canada, approved a commitment of \$3 million over a three-year period to fund "*More Than a Silver Lining*" ("MTSL"), a program to provide Aboriginal participants with training-to-employment opportunities in a variety of mining-related occupations at the Prairie Creek Mine. In addition to the funding from the Government of Canada, the program received an additional \$1 million from Canadian Zinc, the GNWT and the communities of Nahanni Butte, Fort Simpson, Fort Liard, Trout Lake and Jean Marie River. The MTSL training program's total cost was \$4.3 million. The program was solely focused on the workforce needs of the Prairie Creek Mine.

The MTSL program delivered 19 training projects in the Dehcho Region over the three year period ending in 2014. Of the 19 training projects, six were facilitated by Canadian Zinc at the Prairie Creek Mine. Over the course of three years approximately 300 local individuals were assessed for participation in the training programs with 250 people actually participating, of which approximately 70 are reported to have returned to employment and others have moved on to higher education.

In August 2012, Canadian Zinc and the GNWT Department of Transportation signed a Collaboration Agreement to ensure effective co-operation related to the public transportation infrastructure that will support the Prairie Creek Mine project and will help ensure that both public needs and mine activities are supported.

Canadian Zinc plans to use the existing Northwest Territories public transportation system to bring goods, fuel and equipment by road to the Mine and to transport its mineral products from the Mine to world markets. As part of this Collaborative Agreement, to assist in priority setting, CZN will provide reports to the Department of Transportation on its anticipated road transportation requirements for the construction and operation of the Prairie Creek Mine which will help the Department of Transport to plan future work on these roads to maintain and enhance these roads effectively and the Department agreed to work closely with Canadian Zinc to ensure public safety by identifying areas of Highway 7 and the Nahanni Butte access road that require enhancement or upgrading.

In February 2017, the Company entered into an agreement with the Northwest Territories Power Corporation to examine and develop an electrical power strategy for the Prairie Creek Project. The process will examine the method best suited to delivering power and the potential integration of energy alternatives such as Liquefied Natural Gas. NTPC is a wholly owned subsidiary of NT Hydro, which is 100% owned by the Government of the Northwest Territories.

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 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.

On December 5, 2017, Glencore Canada Corporation and Ontario Teachers' Pension Plan announced the formation of BaseCore Metals LP, a 50:50 joint venture limited partnership focused on base metals streams and royalties. Under the agreements for BaseCore Metals, Glencore contributed a portfolio of selected existing royalties on producing and development stage properties in North and South America, including the Antamina and Highland Valley mines, as well as 2% NSR royalties on Canadian Zinc's Tulls South, South Tally and Long Lake properties in Newfoundland.

South Tally Pond Property

In 2012, Canadian Zinc acquired all of the outstanding common shares of Paragon in exchange for common shares of Canadian Zinc. Paragon's primary project is its 100% interest in the South Tally Pond Property, which includes the Lemarchant deposit, and is located in a proven mining district near Buchans, Newfoundland.

An initial NI 43-101 mineral resource estimate that was completed in March 2012 for Paragon on the Lemarchant deposit includes the following defined mineral resources:

- Indicated resource estimate: 1.24 million tonnes at an average grade of 5.38% Zn, 0.58% Cu, 1.19% Pb, 1.10 g/t Au and 59.17 g/t Ag; and
- Inferred resource estimate: 1.34 million tonnes at an average grade of 3.70% Zn, 0.41% Cu, 0.86% Pb, 1.0 g/t Au and 50.41 g/t Ag.

(See report entitled "NI 43-101 Technical Report and Mineral Resource Estimate on the Lemarchant Deposit, South Tally Pond VMS Project, Central Newfoundland, Canada" dated March 2, 2012 and filed on SEDAR under Paragon's profile on March 9, 2012. (the "South Tally Pond Technical Report"))

The Lemarchant deposit has been defined to a 210 metre depth and remains open along strike and at depth. The exploration potential outside of the Lemarchant area of the South Tally Pond Property is still relatively untapped with numerous priority VMS targets that have seen limited or no drilling.

The South Tally Pond VMS Project is located 110 kilometres southwest of the town of Grand Falls-Windsor, NL and 35 kilometres south of the community of Millertown, NL. The South Tally Pond Property covers 261 km² and is immediately adjacent to Teck Resources Limited's former Duck Pond Cu-Zn mine and mill complex. The Lemarchant deposit is a significant precious metal-rich copper-lead-zinc VMS discovery with a potential opportunity to develop into a viable economic resource.

The Property consists of five, contiguous 100% controlled properties or blocks including the Harpoon Block, Gills Pond Block, Higher Levels Block, South Tally Pond Block and the South Tally Pond Extension Block. The aggregate land position comprises 8 map-staked mineral licences (856 claims) covering 21,400 hectares immediately southwest of the former Duck Pond Mine. The Harpoon Block is subject to a 2% net smelter return royalty to the property vendors of which 50% is purchasable by Paragon.

The South Tally Pond project area has been explored intermittently since the late 1960's for precious metal-rich polymetallic volcanogenic massive sulphide deposits. The bulk of the historic exploration work in the area was completed by Noranda and its various partners between 1973 and 1998. This exploration work resulted in the discovery of the Duck Pond and Boundary deposits. In addition, Noranda discovered numerous other prospects including the Lemarchant, Rogerson Lake, Bindon's Pond, Higher Levels, Spencer's Pond and Beaver Lake Prospects through geochemical and geophysical surveys. Each of these areas has seen limited to no drilling.

The South Tally Pond Project is underlain by rocks of the Victoria Lake supergroup which consists of a structurally complex, composite collage of bimodal Neoproterozoic to Ordovician arc-related magmatic and sedimentary rocks. The Victoria Lake supergroup hosts numerous base metal-bearing VMS deposits, showings and extensive alteration zones, and several gold deposits and showings. This mineralization is distributed throughout all of the lithotectonic assemblages, including the Tally Pond Volcanic Belt, that comprise the supergroup. The Tally Pond

Volcanic Belt consists of Cambrian-aged volcanic, volcanoclastic and sedimentary rocks that extend from Victoria Lake northeast to Burnt Pond. The South Tally Pond Project is situated in the same volcanic belt and to the immediate southwest of Teck Resources Limited's Duck Pond Copper Zinc Mine (5.1 million tonnes averaging 3.6% Cu, 6.3% Zn, 1.0% Pb, 64 g/t Ag and 0.9 g/t Au for both the Duck Pond and Boundary deposits).

The Lemarchant Deposit area is underlain by a north-striking sequence of bimodal submarine volcanic rocks (rhyolites and basalts) of the Tally Pond Volcanic Belt. The mineralization is hosted within a 4,000 metre long and 700 metre wide sequence of highly altered felsic volcanic rocks. Polymetallic sulphide mineralization is hosted in moderate to intensely altered rhyolite breccias, massive flows and lesser tuffaceous horizons. The footwall to the semi-massive to massive sulphide mineralization is characterized by a well-developed, barium-enriched base metal stringer system, with moderate to intense quartz-sericite-chlorite to quartz-chlorite alteration. On several sections the footwall alteration zone is cut-off by a frequently recognizable, east-verging thrust fault (Lemarchant Fault) that potentially repeats the mineralized horizon at depth in the minimally tested Lower Felsic Block. The Lower Felsic Block represents an area of high exploration potential that warrants aggressive follow-up drilling.

A winter diamond drill program on the South Tally Pond property was completed in March 2013. A total of 11 drillholes (3,370 metres), including two drillhole extensions, were completed at the Lemarchant deposit. Two drill programs were completed at the South Tally Pond VMS project in 2014 wherein a total of 5,104 metres was completed to further evaluate the Northwest zone at the Lemarchant deposit.

A winter diamond drill program on the South Tally Pond copper-lead-zinc-silver-gold project was completed in March 2014. Six drillholes, totaling 2,350 metres were completed at the Northwest mineralized zone located 250 metres northwest of the drill-defined Lemarchant Deposit. The 2014 winter drilling program successfully extended the Northwest zone mineralization which remains open for further expansion.

A fall diamond drill program was completed in December 2014. Six drillholes and two drillhole extensions totaling 2,754 metres were completed at the Northwest zone, located 250 metres northwest of the drill-defined Lemarchant Deposit.

The drilling programs conducted in 2013 and 2014 on the South Tally Pond Property were mostly outside the resource area and the drilling results were not considered material to the previous resource estimates.

Tulks South Property

In 2013 Canadian Zinc acquired 100% interest in several base metal properties in central Newfoundland including in the Tulks South Property, which includes the Boomerang, Domino and Long Lake base and precious metal-rich VMS deposits situated near the Company's South Tally Pond project in central Newfoundland.

NI 43-101 mineral resource estimates include:

- Boomerang deposit: Indicated mineral resource of 1.36 million tonnes grading 7.1% Zn, 3.0% Pb, 0.5% Cu, 110 g/t Ag and 1.7 g/t Au; and Inferred mineral resource of 0.28 million tonnes grading 6.7% Zn, 2.9% Pb, 0.4% Cu, 96.5 g/t Ag and 1.3 g/t Au;
- Domino deposit (adjacent to Boomerang): Inferred resource estimate: 0.41 million tonnes grading 6.3% Zn, 2.8% Pb, 0.4% Cu, 94 g/t Ag and 0.6 g/t Au.

(See Messina Minerals Inc. Technical Report, dated August 1, 2007, Tulks South Property, Central Newfoundland, Canada filed on SEDAR.)

The Boomerang deposit has some of the highest grade characteristics in the region. Exploration upside and resource expansion potential is believed to exist from numerous identified targets at surface and along strike to the northeast of the Boomerang deposit.

The Tulks South Property is located in the Buchans-Victoria Lake area in the Central Mobile Belt of the Dunnage tectonostratigraphic zone of the Appalachian Belt. The Dunnage tectonostratigraphic zone comprises ophiolitic island arc and back arc rocks. The Buchans-Victoria Lake area is host to numerous polymetallic (Zn-Pb-Cu-Au-Ag) volcanogenic massive sulphide deposits; including the historic Buchans area polymetallic deposits and the recently producing Duck Pond copper-zinc mine.

The Tulks South Property was the subject of a previous Technical Report by Dearin (2006). This current Technical Report dated August 2007, is intended to disclose recently updated Mineral Resources at the Boomerang and Domino deposits, and exploration results at the Tulks East B Zone and the Hurricane Zone. The Property also includes historic zinc resources at the Tulks East A Zone, Tulks East B Zone, Skidder, and Long Lake Main Zones. Since the previous Technical Report, Messina has undertaken additional Mineral Resource delineation drilling, Mineral Resource estimations, exploration drilling, metallurgical test work, and environmental base line studies on the Property.

At a 1% Zn cut-off grade, Indicated Mineral Resources at Boomerang are reported as 1.4 Mt at 7.1% Zn, 3.0% Pb, 0.5% Cu, 110.4 g/t Ag, and 1.7 g/t Au. Inferred Mineral Resources at Boomerang are reported as 278 kt at 6.7% Zn, 2.9% Pb, 0.4% Cu, 96.5 g/t Ag, and 1.3 g/t Au at the same cut-off grade.

At Domino, adjacent to the Boomerang deposit, Inferred Mineral Resources at a 1% Zn cut-off grade are reported as 411 kt at 6.3% Zn, 2.8% Pb, 0.4% Cu, 94 g/t Ag, and 0.6 g/t Au.

In 2014, the Company undertook a diamond drill program on its Tulks South property, focused on expanding the the mineral resource at the Boomerang-Domino deposit, extending the nearby Hurricane prospect mineralization and testing for extensions to the mineralization at the Tulks East prospect (2,000 metres). Following completion of the drill program at Tulks South, the drill was mobilized to the Long Lake project where a 2,712 metre wide spaced drill program was successful in extending the copper-lead-zinc massive sulphide mineralization. both up- and down-dip and along strike and showed a marked increase in the copper, lead, zinc, silver and gold grades to the west of the defined Main Zone deposit.

Central Milling Facility Research Collaboration Project

In 2015, the Company entered into a collaboration agreement with Buchans Minerals whereby the two Companies share research data on their respective central Newfoundland Zn-Pb-Cu-Ag-Au deposits. 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.

The collaborative research program, partially funded by the RDC through the GeoEXPLORE Industry-led program, initially examined 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 research project was subsequently focused on four key NI43-101 compliant Zn-Pb-Cu-Ag-Au VMS deposits located on the south side of Red Indian Lake in the Victoria Lake district of central Newfoundland. Two of the deposits are held by Canadian Zinc (Lemarchant, Boomerang-Domino) and two of the deposits are held by BMC (Bobbys Pond, Daniels Pond). In June 2016, the research program was extended to include the Lundberg Cu-Pb-Zn-Ag deposit (100% held by Buchans).

The Lundberg deposit is a large, near-surface and potentially open-pitabile resource located on the north side of Red Indian Lake near the town of Buchans. The key rational to include the Lundberg deposit was to fully assess all the known deposits in the district and to determine if it could enhance the economics of a central milling facility and the future development of this region's mineral resources. The additional tonnage contribution from the Lundberg deposit to a central milling facility could add considerably to its useful life.

Research Study Methodology

To evaluate the potential for centralized milling of some or all of these deposits, the study included bench scale testing for process development, preliminary mine plan development, and using a conceptual economic model to assess the economics of various processing scenarios.

The bench scale test work was undertaken by Thibault & Associates Inc. of Fredericton, New Brunswick, to characterize each deposit with respect to DMS and flotation for production of copper, lead and zinc concentrates. The use of DMS was considered as an opportunity to reduce transportation costs by rejecting waste at the mine site before trucking to the central milling facility. The bench scale flotation testing was completed in order to develop a common flotation flowsheet with flexibility for processing of the five different deposits involved, and improve grades, recoveries and operating costs defined by previous test programs.

The metallurgical test program, completed by Thibault & Associates Inc. was based on an assessment of pre-concentrating the ore prior to flotation using DMS technology and the development of a process compatible with the metallurgical characteristics of the five deposits under development.

Dense Media Separation - The bench scale DMS test program was completed to assess the amenability of mineralized samples from the deposits to physical upgrading (pre-concentration) at each site. Use of DMS processing technology would provide a potential means of reducing transportation costs from mine site to the milling facility and to maximize head grade and reduce downstream processing costs.

Results from pre-concentration of the samples by DMS (prior to flotation) was determined to be technically viable for semi-massive and stringer sulphide samples from Lemarchant (footwall), Bobbys Pond and Lundberg. An economic assessment of processing ores with DMS technology is in progress to determine if there is a net benefit in reducing the mass of ore to be processed compared to the loss of payable metals to the waste product. Results of the DMS testing are provided below.

Sample	Overall Metal Recovery to Sinks + Fines at 70% Mass Recovery				
	Cu (%)	Pb (%)	Zn (%)	Au (%)	Ag (%)
Lemarchant (footwall)	94.6	97.7	95.4	97.4	96.4
Bobbys Pond SMS Comp	98.3	98.6	99.1	95.6	95.6
Lundberg Y1-3	98.3	96.6	96.5	89.6	95.3
Lundberg Y4-8	94.7	94.2	93.9	84.8	90.1
Sample	Overall Upgrade Ratio (Sinks + Fines Relative to Feed)				
	Cu	Pb	Zn	Au	Ag
Lemarchant (footwall)	1.35	1.4	1.36	1.39	1.38
Bobbys Pond SMS Comp	1.40	1.41	1.42	1.37	1.37
Lundberg Y1-3	1.40	1.38	1.38	1.28	1.36
Lundberg Y4-8	1.35	1.35	1.34	1.21	1.29

Common Flotation Flowsheet - Initial bench scale batch flotation tests were designed to compare two flowsheet options: 1) a bulk Cu/Pb-Zn flotation flowsheet and 2) a sequential Cu-Pb-Zn flotation flowsheet using various reagent schemes and alternative grind specifications.

Results from the initial bench scale testing indicate the sequential Cu-Pb-Zn flowsheet provided the best overall performance for the four deposits tested. Subsequent testing of the Lundberg Deposit samples indicates it is also amenable to the sequential Cu-Pb-Zn flotation flowsheet with improved grade and recoveries over previous Lundberg metallurgical testing.

Bench Scale Batch Flotation Testing - the bench scale metallurgical test work was aimed at assessing the amenability of the mineralized samples from the five deposits to a common flotation flowsheet. The test work serves as a first stage evaluation of developing a common process flowsheet.

The results from the bench scale batch flotation tests confirmed the production of selective zinc, lead and copper concentrates at marketable grades.

The grade and recovery of concentrates for each deposit have been defined in the following table. These are based on bench scale batch flotation tests (as an open circuit without recycle) and process simulation of the sequential flowsheet mass balance relative to the test program, and are not representative of lock cycle or pilot testing of the proposed flowsheet.

Deposit	Cu Concentrate (Grade/Recovery)	Pb Concentrate (Grade /Recovery)	Zn Concentrate (Grade /Recovery)
Boomerang	25.7% / 63.4%	55.4% / 71.2%	49.8% / 91.7%
Lemarchant (massive sulphide)	33.7% / 78.1%	69.4% / 82.4%	60.8% / 90.7%
Lemarchant (footwall)	31.0% / 90.1%	No concentrate	59.8% / 96.9%
Bobbys Pond	30.9% / 83.8%	76.5% / 69.3% ¹	64.8% / 93.1%
Daniels Pond	18.1% / 54.6%	74.0% / 76.8% ¹	61.0% / 90.1%
Lundberg Y1-3	30.1% / 86.2%	72.1% / 83.1%	61.1% / 78.7%

¹ Lead grade defined by the test program with added cleaning of the lead concentrate to reduce zinc and iron.

The results of the bench scale test program have indicated an improved grade and recovery relationship for the production of Cu-Pb-Zn concentrates using a sequential flotation flowsheet. The test results confirm that selective zinc, lead and copper concentrates at marketable grades can be produced using a common flotation flowsheet. The positive results from the metallurgical test program strongly support the development of the sequential flotation technology for processing of the deposits using a centralized processing facility.

Conceptual Economic Assessment

The DMS and metallurgical test programs were followed-up by Thibault & Associates with a Process Simulation and Cost Assessment model (order of magnitude conceptual assessment) to evaluate and identify the key factors impacting the operating economics of a centralized processing concept for the production of the base metal concentrates from the five base metal deposits.

Multiple conceptual economic scenarios at three potential sites were developed to simulate the proposed centralized milling concept. Canadian Zinc and Buchans provided preliminary mine plans, mining costs and operating costs for each of their respective deposits. Thibault & Associates Inc. combined the mining inputs with a process simulation and costing model to develop a conceptual economic model for the project, which was used to evaluate various process options.

The variables assessed included the different potential mill sites, with or without DMS, new or used process equipment, mining rate, and processing feedstock composition for each deposit. Lundberg, being the largest but lowest grade deposit, was considered the main plant feed and Lemarchant, Boomerang, Daniels Pond and Bobbys Pond were treated as satellite deposits.

Highlights of Results of Research Program:

- Pre-concentration of the samples by bench scale DMS testing (prior to flotation) was determined to be technically viable for the Lundberg deposit, Bobbys Pond samples and the semi-massive and stringer sulphide sample from the Lemarchant Footwall.
- Metallurgical test results strongly support the development of a sequential flotation flowsheet for the processing of all five deposits using a centralized processing facility.
- Bench-scale flotation test programs indicated improved grade and recovery relationship for the production of copper, lead and zinc concentrates using a common sequential flotation flowsheet rather than a bulk flotation flowsheet.
- Test results and METSIMTM metallurgical simulations confirm that selective zinc, lead and copper concentrates at marketable grades can be produced using a sequential flotation flowsheet.

- The process simulation and cost assessment results (conceptual economic modeling) provided key information on which to base future studies and development plans, including the ongoing exploration programs that are critical to expanding the deposits and advancing the viability of developing the central Newfoundland deposits through a centralized milling facility.

The metallurgical research study demonstrated that the ore from the Company's Lemarchant and Boomerang-Domino deposits can be successfully processed in a central mill using a sequential flotation flowsheet, and that selective zinc, lead and copper concentrates at marketable grades can be produced from these deposits.

The positive results of the research project provide valuable direction to guide future exploration on the Company's central Newfoundland deposits and the conceptual economic modeling provided key information on which to focus future economic studies and development plans for advancing the development of these deposits through a centralized milling facility

It was recommended that further review of the satellite deposits should be undertaken to examine the potential to increase minable resource size, run of mine ore grades and mine production rates, and to evaluate alternative cost effective mining methods.

Central Newfoundland Exploration Work 2016-2017

Canadian Zinc undertook ground geophysical surveys including magnetics, gravity, electromagnetics ("EM") and borehole EM on a number of high priority Cu-Pb-Zn-Ag-Au target areas on its South Tally Pond and Tulks South properties in the autumn of 2016.

This geophysical program at the South Tally Pond project focused on the Lemarchant North, Spencers Pond and Lost Pond target areas with the aim of defining new drill targets. Magnetometer surveys were carried out in all three areas and merged with historical magnetic survey data where available. Plate modeling of the surface EM data outlined conductive trends in all three areas and identified new drill targets.

At Lemarchant North, the target area is immediately north of the Lemarchant deposit where the surface EM survey outlined a north trending, moderately east dipping conductor over a 600 m strike length. The conductive trend is interpreted to be related to near surface mudstone horizon based on several drillholes previously completed along the first 200 m of the conductor, but which has not been drill tested over the entire conductor length.

At Spencers Pond, two near surface, parallel conductive trends that dip moderately to the northwest have been identified over a 600 m strike length. Two shallow, historic drillholes were previously drilled in this area, one of which intersected pyritic, graphitic mudstone with a similar hydrothermal geochemical signature to that which overlies the Lemarchant deposit.

At Lost Pond, the surface EM survey outlined two conductive trends over an approximately 800 m strike length that dip moderately to the northwest. Three historic drillholes in the more northern of the two conductive trends intersected graphitic mudstones with similar hydrothermal geochemical signatures to that which overlie the Lemarchant deposit.

In 2017, the Company resumed its diamond drilling exploration programs at the South Tally Pond and Tulks South projects. The drilling at South Tally Pond project was designed to continue to test for mineralized extensions to the Lemarchant deposit and initial drill testing of three high priority base metal prospects located in the Lemarchant area, including Lost Pond, Spencers Pond and Lake Ambrose West. Drilling at Tulks South was aimed at expanding the Boomerang-Domino deposit and testing three priority target areas within the horizon that hosts the Boomerang-Domino deposit, up to 2.0 km along strike of the deposit.

South Tally Pond Project

During 2017, the Company completed 15,264 metres of drilling in 56 drillholes and 3 drillhole extensions over three drilling campaigns at the Lemarchant deposit. The 2017 drill program focused on the expansion of the

Lemarchant deposit's two mineralized zones, the Main Zone and Northwest Zone, and to test several priority geophysical targets located to the immediate south and north of the Lemarchant deposit.

	2017 Winter Program		2017 Summer Program		2017 Fall Program	
	Drillholes	Metres	Drillholes	Metres	Drillholes	Metres
Lemarchant Main Zone	9 + 3 Ext.	2,693	23	4,780	3	618
Lemarchant NW Zone	1	377	4	1,460	5	2495
South Target			6	1,479		
North Target			5	1,363		
TOTAL DRILLING	10 + 3 Ext.	3,070	38	9,082	8	3,113

The 2017 drilling intersected significant extensions of base metal massive sulphide mineralization, both up-dip and immediately along strike of the currently defined Lemarchant Main Zone. The Lemarchant Main Zone massive sulphide mineralization now extends an additional 80 metres up-dip and over a 250-metre strike length (from sections 100+75N to 103+25N). The vertical depths of the mineralized drill intercepts range from 120 to 170 metres. Drilling at the Lemarchant Northwest Zone, located 250 metres northwest of the Main Zone extended the mineralization along strike by up to 50 metres to the north and south.

The Lemarchant drill program included initial drill testing of previously defined EM geophysical anomalies at the North and South Lemarchant target areas, located approximately 500 metres along strike of the Lemarchant deposit. Drilling intersected similar stratigraphy to that seen at the Lemarchant deposit with significant metalliferous (pyrite-pyrrhotite) mudstones at the mafic to felsic volcanic transition. No significant mineralization was intersected in these initial drillholes, but the presence of metalliferous mudstones is encouraging.

For full results with drill hole location maps and key sections provided on the Canadian Zinc website.

A ground EM geophysical program was completed in mid 2017 at the South Tally Pond project with the aim of defining new drill targets. The geophysical program was focused on three priority target areas located immediately south (South Lemarchant target area), south-east and east of the Lemarchant deposit. Each area is associated with airborne EM conductors that remained untested by drilling. A total of 16.5 line-kilometres of time domain electromagnetic survey was completed on 21 grid lines in the 3 areas.

Two priority base metal prospects, Lost Pond and Lake Ambrose West located 6.0 km north and 4.5 km northwest of the Lemarchant deposit, respectively were drill tested in 2017.

- Thirteen drillholes, totaling 3,559 metres were completed at the Lost Pond prospect and intersected a thick sequence of variably altered mafic-felsic volcanic rocks over a 400-metre strike length with thick intervals of pyrite-rich to graphitic mudstone horizons containing anomalous base metal mineralization. The metalliferous mudstone horizons, are geochemically similar to those that overlie the Lemarchant deposit, and suggest a favourable hydrothermal depositional environment for massive sulphide development.
- Three drillholes, totalling 909 metres were completed at the Lake Ambrose West prospect and intersected felsic to mafic volcanic stratigraphy with a local pyritic, graphitic mudstone horizon intersected in two of the drillholes. The mudstone horizon is associated with elevated base metal mineralization with the lithogeochemistry suggesting a more distal hydrothermal depositional environment.

Canadian Zinc has engaged Mercator of Dartmouth, Nova Scotia, to complete an updated NI 43-101 Mineral Resource Estimate of the Lemarchant deposit. The updated Mineral Resource Estimate is scheduled to be completed in the second quarter of 2018.

As part of the Mineral Resource Estimate update, a geological structural study of the Lemarchant deposit was completed by Mercator and Terrane Geoscience Inc. The structural study will be incorporated into the Lemarchant geological model and will be utilized to target other areas of potential mineralization including faulted offsets adjacent to the Lemarchant deposit.

Tulks South Project

During 2017, the Company completed 4,981 metres of drilling in 14 drillholes at the Boomerang-Domino massive sulphide deposit and at three priority target areas located up to 2.0 km along strike of the Boomerang-Domino deposit.

Drilling at the Boomerang-Domino deposit (6 holes, 1,709 metres) successfully extended the Boomerang base metal mineralization up-dip by 50 metres in one drillhole. The remaining drillholes intersected up to 1 metre thick massive pyrite intervals with weak to anomalous base metals along the projected Boomerang horizon.

Drilling along strike of the Boomerang Domino deposit at the Zinc Zone (3 holes, 1291 metres), Telephone Hill (3 holes, 1,131 metres), and Hurricane prospects (2 holes, 836 metres) intersected variable altered, favorable felsic volcanic footwall stratigraphy with local, weakly anomalous base metal mineralization.

The drilling programs conducted in 2017 on the Tulks South Property were mostly outside the resource area and the drilling results are not considered material to the previous resource estimates.

Vatukoula Gold Mines plc

In 2009, the Company acquired an interest in Vatukoula Gold Mines plc ("**Vatukoula**"), a UK company which owns and operates the Vatukoula Gold Mine in Fiji. As at December 31, 2016, the Company did not hold any shares of Vatukoula (December 31, 2015 - 12,573,380 shares). In January 2016, the Company liquidated its marketable securities and sold 12,573,380 shares of Vatukoula to Zhongrun International Mining Co. Ltd., the major shareholder of Vatukoula, for cash of \$936,000.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

Financial Results for the Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

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, 2017 and 2016 and other public disclosure documents of the Company.

For the year ended December 31, 2017, the Company reported a net loss and comprehensive loss of \$11,074,000 compared to a net loss and comprehensive loss of \$5,077,000 for the year ended December 31, 2016.

Included in the loss for the year ended December 31, 2017, were exploration and evaluation expenditures of \$8,723,000 compared to \$2,428,000 for the previous year.

The net loss in the the year ended December 31, 2017 included a gain on foreign currency translation and a tax deduction recovery of \$148,000 and \$267,000 respectively with no comparable gain or recovery in the comparable year. The net loss in the year ended December 31, 2017 included a gain on changes to the decommissioning provision of \$3,000 compared to a gain of \$64,000 in the comparative year of 2016.

Excluding the gain on foreign currency translation, the tax deduction recovery and the gain on changes to the decommissioning provision, the Company recorded a loss of \$11,492,000 for the year ended December 31, 2017 compared to a loss of \$5,141,000 the previous year.

Exploration and Evaluation Costs

For the year ended December 31, 2017, the Company expensed \$5,542,000 on its exploration and evaluation programs for Prairie Creek Project compared to \$1,857,000 for the year ended December 31, 2016. Mine planning and feasibility studies costs amounted to \$3,162,000 in 2017 compared to \$331,000 for the previous year.

For the year ended December 31, 2017, the Company also expensed \$3,181,000 on its exploration and evaluation properties in central Newfoundland compared to \$571,000 for the comparative year. A multi-phase drill program began in the final quarter of 2016 and continued to the end of 2017.

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, 2017 was \$68,000 versus \$60,000 for the comparative year. The increase is attributable to the overall increase in amounts available for investment during the current year versus the comparative year.

Administrative Expenses

The Company recorded administrative expenses (excluding share-based compensation and depreciation) of \$1,914,000 for the year ended December 31, 2017 compared to \$1,621,000 for the comparative year. The slight increase is predominantly due to increased salary costs in the current year.

Share-Based Compensation

Share-based compensation was \$842,000 for the year ended December 31, 2017 versus \$1,104,000 for the comparative year. The decrease is due to not issuing RSUs in 2017 (2016 - 1,900,000) to senior officers; the issuance of DSUs (in the amount of 662,440 in 2017 and 376,034 in 2016) to independent directors; and not issuing of stock options in 2017 (2016 - 5,200,000) to directors, officers and employees. The RSUs granted are subject to a ten to 18 month vesting period and were assigned a fair value based on the share price at time of issuance with the fair value amortized over the vesting period. The DSUs, which are issued quarterly, are fully vested upon issuance and were assigned a fair value based on the five-day volume weighted average share price at time of issuance. The options granted in 2016 vest over two years and are assigned a fair value determined using the Black-Scholes option pricing model with assumptions specified in Note 12 of the Company's financial statements.

Other Income (Expenses)

The Company recorded a gain on foreign currency translation and a tax deduction recovery in the amount of \$148,000 and \$267,000 respectively for the year ended December 31, 2017 with no comparable gain or recovery in the year ended December 31, 2016. The foreign currency translation gain was recorded to revalue the US dollar loan to Canadian dollars as at December 31, 2017. The tax deduction recovery was in respect of flow-through shares previously issued as outlined in Note 11 of the Company's financial statements.

Financial Results for the Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

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, 2016 and 2015 and other public disclosure documents of the Company.

For the year ended December 31, 2016, the Company reported a net loss and comprehensive loss of \$5,077,000 compared to a net loss and comprehensive loss of \$8,262,000 for the year ended December 31, 2015.

Included in the loss for the year ended December 31, 2016, were exploration and evaluation expenditures of \$2,428,000 compared to \$7,650,000 for the previous year. The net loss in the year ended December 31, 2016 did not include a gain or loss on the Company's marketable securities compared to a gain of \$486,000 for the

comparative year of 2015 and a gain on changes to the decommissioning provision of \$64,000 compared to a gain of \$246,000 in the comparative year of 2015. Excluding the gain on marketable securities and the gain on changes to the decommissioning provision, the Company recorded a loss of \$5,141,000 for the year ended December 31, 2016 compared to a loss of \$8,994,000 the previous year.

Exploration and Evaluation Costs

For the year ended December 31, 2016, the Company expensed \$1,857,000 on its exploration and evaluation programs at Prairie Creek compared to \$7,317,000 for the year ended December 31, 2015. Diamond drilling costs for the Prairie Creek Project in the year ended December 31, 2016 were \$nil compared to \$3,102,000 in the year ended December 31, 2015, while mine planning and feasibility studies costs amounted to \$331,000 in 2016 compared to \$1,045,000 for the previous year.

For the year ended December 31, 2016, the Company also expensed \$571,000 on its exploration and evaluation properties in central Newfoundland compared to \$333,000 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 was 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, 2016 was \$60,000 versus \$107,000 for 2015.

Administrative Expenses

The Company recorded administrative expenses (excluding share-based compensation and depreciation) of \$1,621,000 for the year ended December 31, 2016 compared to \$1,740,000 for the comparative year.

Share-Based Compensation

Share-based compensation was \$1,104,000 for the year ended December 31, 2016 versus \$124,000 for the comparative year. The increase is due to issuing 5,200,000 stock options (2015 – nil) to directors, officers, employees and service providers of the Company; 1,900,000 Restricted Share Units (2015 – 3,650,000) to senior officers; and 376,034 Deferred Share Units (2015 - 276,340) to directors during 2016.

Other Income (Expenses)

The Company did not report a gain on marketable securities for the year ended December 31, 2016 compared to gain of \$486,000 for the year ended December 31, 2015. The Company's marketable securities were completely sold in January 2016 for \$936,000 equaling the carrying value as of December 31, 2015.

The Company also recorded a gain on the change in the decommissioning provision of \$64,000 for 2016 compared with a gain of \$246,000 in 2015.

B. Liquidity and Capital Resources

At December 31, 2017, the Company had a positive working capital balance of \$11,791,000 including cash and cash equivalents of \$12,979,000 and short-term investments of \$31,000. The Project Bridge Loan of US\$10 million from RCF VI will mature on January 31, 2019.

At December 31, 2016, the Company had cash and cash equivalents of \$9,817,000, short-term investments of \$28,000 and a positive working capital balance of \$9,513,000.

During the year ended December 31, 2016, the Company's marketable securities were liquidated for cash of \$936,000 with no purchase or sale occurring in the current year.

Accounts payable and accrued and other liabilities at December 31, 2017 were \$1,647,000 compared to \$801,000 as at December 31, 2016.

Cash inflows from financing activities totaled \$12,538,000 for the year ended December 31, 2017 versus \$11,232,000 for 2016, due to the Company's financing activities in the fourth quarter of 2017 and the third and fourth quarters of 2016.

During the year ended December 31, 2016, the Company issued 47,466,664 common shares, for proceeds of \$11,090,000 net of share issue costs and also received \$142,000 for the issuance of 406,200 common shares upon the exercise of warrants.

In the fourth quarter of 2017, the Company entered into the Project Bridge Loan with RCF VI pursuant to which RCF VI provided an interim non-convertible project loan in the amount of US\$10 million. The Project Bridge Loan bears an interest rate of 8%, payable quarterly and will mature on January 31, 2019. The loan is secured by a charge on the Company's assets and contains customary affirmative and negative covenants and events of default.

Additional financing will be required to continue the development of the Prairie Creek Project, refinance or renew the loan payable when it becomes due in January 2019, and to put the Prairie Creek Mine into production.

The Company is currently pursuing various opportunities and seeking additional sources of financing. The Investor Agreement with RCF VI contains various rights granted to RCF VI, including among other things: a period of exclusivity to work with the Company to define the terms of RCF VI's future participation in the project financing of the Prairie Creek Mine, on terms and conditions to be agreed by the Company and RCF VI remain in discussions regarding RCF VI's further participation in future project financings.

HCF, a leading independent corporate finance advisory firm based in London, UK and focused on the global natural resources and infrastructure sectors, was appointed to advise the Company with regard to securing debt financing for the Prairie Creek Project at the beginning of 2017.

In consultation with the Company, HCF prepared a three-staged approach to source and negotiate debt financing for the Prairie Creek Mine. The preliminary stage, which is now completed, included development of a funding strategy, preparation of a new financial model which was incorporated into the 2017 Feasibility Study; and conducting preliminary market soundings of potential lenders. HCF was fully involved in the preparation of the 2017 Feasibility Study and is using the Study to support the negotiation of debt financing agreements with major financial institutions.

The second stage, now underway, involves formal engagement with potentially interested banks and other potential financiers and thereafter the third stage will involve negotiation and finalization of financing documentation. It is anticipated that up to 70% of the currently estimated \$279 million of capital required to complete the Project could be supported by debt financing.

Sandstorm Gold Ltd., which provides financing to mining companies through stream and royalty agreements, currently holds a 1.2% NSR on the Prairie Creek Mine which it purchased in 2013 for US\$10 million. In addition, as part of the Royalty Agreement, Sandstorm has a right of first refusal to purchase any metal stream based on production from the Prairie Creek property that Canadian Zinc may decide to sell to finance part of the capital cost to develop the Prairie Creek Mine. In connection with the Project Bridge Loan and the Royalty Agreement, Sandstorm and RCF VI have agreed to enter into an Inter-Creditor Agreement reflecting certain agreed intercreditor principles.

There is no assurance that such financing will be available on a timely basis or on acceptable terms. The Company has a history of losses with no operating revenue other than interest income. 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. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and development activities. This is discussed in more detail in Item 3 D "Risk Factors" section of this Annual Report.

Financing - Use of Proceeds

During 2016, the Company completed an equity financing, which closed July 7, 2016, by way of a short form Prospectus for an underwritten public offering, raising gross proceeds of \$10.2 million. The following table details how the net proceeds of the financing have been used up to December 31, 2017 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 Feasibility and Development Programs	\$ 5,000	\$ 5,000
Definitive Feasibility Study Report	1,000	1,000
Exploration Programs	1,666	1,666
General and Administrative	1,583	1,583
Total	\$ 9,249	\$ 9,249

(Unaudited, thousands of Canadian dollars)

C. Research and Development, Patents and Licences, Etc.

The Company is a mineral exploration company and does not carry on any research and development activities.

D. Trend Information

As the Company is an exploration company with no producing mining properties, information regarding trends in production, sales and inventory are not meaningful.

E. Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

F. Tabular Disclosure of Contractual Obligations

The following table reflects the Company's aggregate contractual commitments as of December 31, 2017:

(thousands of Canadian dollars)					
Contractual Obligations	Total	Payment due by period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligation ⁽¹⁾	\$ 607	\$ 153	\$ 454	\$ -	\$ -
Decommissioning provision ⁽²⁾	2,728	-	-	-	2,728
Loan payable ⁽³⁾	13,549	1,004	12,545	-	-
Annual fees and taxes ⁽⁴⁾	750	75	150	225	300
Total Contractual Obligations	\$ 17,634	\$ 1,232	\$ 13,149	\$ 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, which is estimated to be 2036. The liability is supported by a letter of credit deposited with the GNWT secured by a pledge of restricted cash.

(3) The loan payable bears an interest rate of 8%, payable quarterly, matures on January 31, 2019 and denominated in US dollars. All figures are calculated using the US foreign exchange rate of \$0.7971 CAD:USD in effect at December 31, 2017.

(4) 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.

During 2017 Canada Revenue Agency ("CRA") performed an audit of the tax filings of the Company for recent years, including 2013, 2014 and 2015. In Flow-Through Share Subscription Agreements dated August 20, 2013 (the "Subscription Agreements"), the Company agreed to incur and to renounce to each subscriber qualifying

exploration expenditures in an aggregate amount of \$4,005,200. Following the audit, CRA denied certain expenditures which the CRA determined did not qualify for flow-through treatment and issued reassessments to the Company disallowing \$1,138,896 of flow-through exploration expenditures, representing approximately 28% percent of the \$4,005,200 expenditures renounced. Canadian Zinc strongly disagrees with the determination and reassessments and has filed objections disputing the reassessments. In the relevant periods, the Company incurred exploration expenditures in the total amount of \$5,605,681. In the Subscription Agreements, the Company agreed with each subscriber that in the event CRA reduces the amount renounced to the subscriber the Company will indemnify and hold harmless the subscriber, and each of the partners thereof if the subscriber is a partnership, and pay an amount of any tax payable by the subscriber as a consequence of such reduction. The Company has not recognized the potential indemnity claim as a liability as the outcome of the potential indemnity is not determinable at this time and the full amount of the potential indemnity, estimated at approximately \$700,000, is treated as a contingent liability.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Name, Province or State and Country of Ordinary Residence and Position Held with the Company	Age	Principal Occupation During Preceding Five Years	Date First Became Director of the Company ⁽⁵⁾
John F. Kearney ⁽⁴⁾ Ontario, Canada Chairman, President, Chief Executive Officer and Director	67	Chairman, President and Chief Executive Officer of Canadian Zinc Corporation since 2003; Chairman of Labrador Iron Mines Limited since May 2007; Chairman of Conquest Resources Limited since 2001; Chairman of Anglesey Mining plc since 1994.	November 2001
Dave Nickerson ^{(1) (2) (3)} Northwest Territories, Canada Director	73	Professional Engineer, Mining consultant, Director, Tyhee Development Corp.; previously Chairman of Northwest Territories Water Board; Member of Parliament, Member of NWT Legislative Assembly; Government Minister.	March 2004
Jean-Charles Potvin ^{(1) (4)} Ontario, Canada Director	64	Chairman, Murchison Minerals since 2007; Director, Gold Reserve Inc. since 1993; and Director, Azimut Exploration Inc. since 2001.	June 2016
Malcolm J.A. Swallow ⁽²⁾ British Columbia, Canada Director	67	Professional Engineer, BC (Mining Engineering); Director, Silvercorp Minerals Inc. since 2015	June 2016
Alan B. Taylor ⁽³⁾ British Columbia, Canada Vice President, Exploration, Chief Operating Officer and Director	61	Vice President, Exploration of Canadian Zinc Corporation since 1999 and Chief Operating Officer of Canadian Zinc Corporation since March 2004.	March 2004
Ian Ward ⁽³⁾ Ontario, Canada Director	71	Professional Engineer (Ontario) Retired. From 2010 to 2015 he was Senior Advisor and Vice President of Metallurgy and Processing for Kinross Gold Corporation, and prior thereto Senior Vice President, Project Development for Mustang Minerals Corp. and previously President and Principal Metallurgist with Micon International Limited.	June 2016
John Warwick ^{(1) (2) (4)} Ontario, Canada Director	64	Financial Consultant (CFA) and special advisor to Paradigm Capital Inc; Director Sherritt International Corporation since 2017. Prior to 2018, Member of the Finance and Audit Committee of the Board of Governors of the Shaw Festival. Prior to 2015, Managing Director, Investment Banking, founding partner and Head of Corporate Finance of Paradigm Capital Inc.	June 2016
Trevor L. Cunningham British Columbia, Canada Chief Financial Officer, Vice President Finance and Corporate Secretary	49	Chief Financial Officer and Vice President Finance of Canadian Zinc Corporation since January 2011; Chartered Professional Accountant, Certified Management Accountant.	N/A

⁽¹⁾ Member of the Audit Committee.

⁽²⁾ Member of the Compensation Committee.

⁽³⁾ Member of Health and Safety Committee.

⁽⁴⁾ Member of Nomination Committee

⁽⁵⁾ All Directors are elected annually to hold office until the Company's next Annual Meeting of shareholders.

B. Compensation

Compensation Discussion and Analysis

Objectives of Executive Compensation

The Board has appointed a Compensation Committee which has responsibility for determining compensation for the directors and senior management. Since June 2016, the Compensation Committee consisted of John Warwick, Malcolm Swallow and Dave Nickerson (all considered independent directors). The Company does not have a formal compensation plan in place for its Named Executive Officers (defined below under the heading "Summary Compensation Table"). The general compensation philosophy of the Company for executive officers, including for

the CEO, is to provide a level of compensation that is competitive within the North American marketplace and that will attract and retain individuals with the experience and qualifications necessary for the Company to be successful, and to provide longer-term incentive compensation, such as the grant of stock options, which aligns the interest of executives with those of shareholders and encourages senior management to have a direct and identifiable impact on the performance of the Company and to develop and implement a long-range strategy.

The Company is primarily engaged in the exploration and development of its Prairie Creek property located in the Northwest Territories, Canada. The Company is considered to be in the exploration and development stage, given that its Prairie Creek property is not in production and, to date, has not earned any significant revenues and does not generate revenues from operations. Accordingly, the Company is reliant upon funding from capital raising activities. Therefore, the use of traditional performance standards, such as corporate profitability, is not considered to be appropriate in the evaluation of corporate or executive performance, and the Board of Directors has to consider the financial situation of the Company in a wider context and involving the ongoing status of the Prairie Creek Project, when setting its executive compensation levels.

Historically, the compensation of executive officers of the Company has been comprised primarily of cash compensation and the allocation of incentive stock options and restricted share units. In establishing levels of remuneration and in granting stock options and restricted share units, the Compensation Committee, having taken into consideration the financial position of the Company, takes into consideration the executive's performance, level of expertise, responsibilities and length of service to the Company, as well as comparable levels of remuneration paid to executives of other companies of comparable size and development within the industry. When determining an element of compensation to be paid to a particular NEO, the Compensation Committee takes into account the amount of each other element of compensation that has been paid to that NEO. Interested executives do not participate in reviews, discussions or decisions of the Compensation Committee or the Board of Directors regarding this remuneration. The Compensation Committee's responsibilities and composition are described below under the heading "Corporate Governance Disclosure – Compensation Committee."

Goals and objectives for the Company are typically set through discussions at Board meetings, and senior management will then work to achieve these goals and objectives. Follow-up on progress would typically take place at subsequent Board meetings. The Board did not set formal, person-specific, performance goals for the Named Executive Officers for 2017 but did set specific primary and secondary corporate objectives.. Awarding additional compensation upon successful completion of corporate objectives is entirely at the discretion of the Compensation Committee. Given the size of the Company, this is considered appropriate to effectively manage the business and allow the Named Executive Officers to move the business forward.

While the Company does not actively benchmark its compensation programs for executive officers, and the individual components thereof, it does review compensation levels within the industry primarily through the use of third-party "Compensation Reports", which are available through certain consulting firms. These reports typically include information for larger mining companies but do assist the Compensation Committee in determining approximately the salary levels and other benefits in place across the industry.

The Compensation Committee relies on the general knowledge and experience of its members, and recommendations from senior management, in reviewing appropriate levels of compensation for executive officers and the implementation of, or amendment to, any other aspects of compensation that the Compensation Committee may review from time to time. All Compensation Committee members have relevant general, but not direct, experience in executive compensation and compensation policies and practices in the junior mineral resources business gained through current and prior experience in business, the minerals industry and government. Neither the Company nor the Compensation Committee currently has nor at any time during 2017 had any contractual arrangement with any compensation consultant.

The Compensation Committee is responsible for considering the risks associated with the Company's compensation policies and practices and has not identified any specific risks associated with the Company's compensation policies and practices that are reasonably likely to have a material adverse effect.

Because of the current scale and scope of the Company's operations, and the limited number of senior management and employees, and the oversight by the Board of all significant activities, including risk management, the Compensation Committee does not believe that the Company's compensation policies and practices would encourage any executive officer to take inappropriate or excessive risk.

The Company has not prohibited its executive officers or directors from purchasing financial instruments that are designed to hedge or off-set a decrease in market value of any securities of the Company granted as compensation or held, directly or indirectly, by an executive officer or director.

Base Salary

The Company traditionally provided executive officers with base salaries which represent their minimum compensation for services rendered during the fiscal year. Salary levels are based upon the executive's experience, responsibilities, performance, and time commitment. Base salaries are usually reviewed annually by the Compensation Committee.

In August 2015, having regard to the financial position of the Company and in light of continued uncertainty in the capital markets and the current lack of investor interest in the resource sector, the Board implemented cost reduction measures which included a change in the composition of the remuneration of each of the CEO, COO, and CFO which involved a reduction in the cash component of base salary combined with the grant of Restricted Share Units.

In August 2016, having regard to the improved financial position of the Company the Compensation Committee again reviewed the base salaries of the CEO, CFO, and COO and recommended the cost reduction measures be removed along with appropriate increases in base salary in line with industry standards. In addition, the CEO, COO and CFO were granted restricted share units under the Company's RSU Plan.

In respect of 2017, the Compensation Committee reviewed the base salaries of the CEO, CFO, and COO and did not recommend any adjustments to the base salaries which had been revised in mid 2016.

Restricted Share Units

In 2014, the Company adopted a Restricted Share Unit Plan (the "**RSU Plan**") for the benefit of the Company's employees, directors and consultants. The RSU Plan is intended to assist the Company in the recruitment and retention of highly qualified employees, directors and eligible consultants by providing a means to reward performance, to motivate participants under the RSU Plan to achieve important corporate and personal objectives and, through the proposed issuance by the Company of Common Shares under the RSU Plan, to better align the interests of participants with the long-term interests of Shareholders.

The Board uses Restricted Share Units ("**RSUs**") issued under the RSU Plan as part of the Company's overall executive compensation plan. Since the value of RSUs increase or decrease with the price of the Common Shares, RSUs reflect a philosophy of aligning the interests of executives with those of the Shareholders by tying executive compensation to share price performance. In addition, RSUs assist in the retention of qualified and experienced executives by rewarding those individuals who make a long term commitment.

The RSU Plan is administered by the Compensation Committee. Each RSU awarded conditionally entitles the participant to receive one Common Share (or the cash equivalent) upon attainment of the RSU vesting criteria. The maximum number of Common Shares which may be reserved, set aside and made available for issuance under the RSU Plan is a variable number equal to 3% of the issued and outstanding Common Shares of the Company as of the date of the grant on a non-diluted basis.

In 2016 in recognition of the completion of the 2016 Preliminary Feasibility Study and the completion of the June 2016 financing of \$10.2 million, the Company granted a total of 1,900,000 RSUs to senior officers. The RSUs granted were subject to a ten to eighteen month vesting period; a payout date of 2.5 to 3 years; an expiry date of 5 years.

In respect of 2017, in recognition of the completion of the 2017 Feasibility Study, the completion of the Environmental Assessment of the All Season Road, the completion of an extensive exploration drilling program in Newfoundland, and the successful negotiation of the of US\$10 million bridge loan, subsequent to year end, the Company granted a total of 2,300,000 RSUs to senior officers. The RSUs granted were subject to a twelve-month vesting period; a payout date of 2 years; and an expiry date of 5 years.

Stock Options

The grant of stock options to purchase common shares of the Company, pursuant to the Company's stock option plan is an integral component of executive officer compensation packages. The Company's stock option plan is administered by the Board of Directors, with option grants being recommended by the Compensation Committee to the Board. The stock option plan is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term, to enable the Company to attract and retain individuals with experience and ability, and to reward individuals for current performance and expected future performance. Previous stock option grants are considered when reviewing executive officer compensation packages as a whole.

In 2016, 3,750,000 (2017 and 2015 – nil) stock options were granted to officers and directors of the Company. No stock options were exercised by officers or directors in 2017, 2016 or 2015.

Other Incentives

The Company does not have a formal annual incentive bonus plan in place. Any award of a bonus to executive officers is entirely at the discretion of the Board of Directors based upon recommendation by the Compensation Committee. In considering the payment of a discretionary bonus to executive officers, the Compensation Committee takes into account the individual performance and efforts of the executive during the year, the progress made by the Company in furthering its business plan and the overall economic climate. As discussed above, there are no specific individual performance targets set ahead of time when determining additional payments such as bonuses. In respect of 2017, subsequent to year end, the COO was awarded a cash bonus of \$50,000 primarily in recognition of the successful completion of the 2017 Feasibility Study and the completion of the Environmental Assessment of the All Season Road.

The Company's health benefit plan is available to all full-time employees. The benefit plan is designed to protect the health of all employees and their dependents, and to provide coverage in the event of disability or death.

Perquisites and personal benefits provided to executive officers reflect competitive practices and particular business needs. They are not considered a material component of the executive compensation program.

The Company does not directly link executive compensation to total cumulative shareholder return, as the Company is not in active operations. Instead, the goals of the Company at this point in time are more qualitative and geared towards successfully progressing the development of the Prairie Creek Mine. The Compensation Committee does, however, consider the financial position of the Company and the general economic situation when assessing compensation.

Summary Compensation Table

The following table sets out all annual and long term compensation for services in all capacities to the Company for the three most recently completed financial years ended on December 31, 2017, 2016, and 2015 in respect of each of the individuals comprised of each CEO and the CFO (who acted in such capacity for all or any portion of the most recently completed financial year), and each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, (other than the CEO and the CFO), as at December 31, 2017 whose total compensation was, individually, more than \$150,000 for the financial year and any individual who would have satisfied these criteria but for the fact that individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of the most recently completed financial year (collectively, the "Named Executive Officer" or "NEOs").

Name And Principal Position	Year	Salary (\$)	Share-based awards ⁽¹⁾ (\$)	Option-based awards ⁽¹⁾ (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation ⁽³⁾ (\$)	Total Compensation (\$)
					Annual incentive plans ⁽²⁾	Long-term incentive plans ⁽²⁾			
John F. Kearney Chairman, President, CEO and Director ⁽⁴⁾	2017	175,000	150,000	Nil	Nil	Nil	Nil	Nil	325,000
	2016	131,250	330,000	172,692	Nil	Nil	Nil	Nil	633,942
	2015	134,522	110,000	Nil	Nil	Nil	Nil	Nil	244,522
Alan B. Taylor COO, Vice President, Exploration, Director ⁽⁴⁾	2017	200,000	75,000	Nil	Nil	Nil	Nil	50,000	325,000
	2016	141,667	165,000	172,692	Nil	Nil	Nil	Nil	479,359
	2015	154,560	110,000	Nil	Nil	Nil	Nil	Nil	264,560
Trevor L. Cunningham CFO, Vice President, Finance	2017	197,600	60,000	Nil	Nil	Nil	Nil	Nil	257,600
	2016	155,438	132,000	129,519	Nil	Nil	Nil	Nil	416,957
	2015	148,942	82,500	Nil	Nil	Nil	Nil	Nil	231,442
Michael Vande Guchte Vice President Exploration (Paragon)	2017	175,000	60,000	Nil	Nil	Nil	Nil	Nil	235,000
	2016	123,958	Nil	86,347	Nil	Nil	Nil	Nil	210,305
	2015	138,542	55,000	Nil	Nil	Nil	Nil	Nil	193,542

(1) The value of share-based and option-based awards represents the grant date fair value of the RSUs or stock options awarded. The share-based awards granted are subject to a 10 to 18 month vesting period; a payout date of 2 to 3 years; an expiry date of 5 years; and are assigned a fair value based on the share price at time of issuance.

(2) The Company does not have a formal bonus plan tied to set targets. Any bonus payments are entirely discretionary and are reviewed by the Compensation Committee as part of an overall review of performance for the year.

(3) Perquisites have not been included, as they do not exceed 10% of total salary for the financial years presented.

(4) John Kearney and Alan Taylor are directors of the Company but were not compensated for services in this capacity.

Outstanding Incentive plan awards

The following table shows all awards outstanding to each Named Executive Officer as at December 31, 2017.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ⁽²⁾ (\$)	Market or payout value of vested share-based awards not paid out or distributed ⁽²⁾ (\$)
John F. Kearney	1,000,000	0.35	August 10, 2021	Nil	1,000,000	130,000	260,000
Alan B. Taylor	1,000,000	0.35	August 10, 2021	Nil	500,000	65,000	195,000
Trevor L. Cunningham	750,000	0.35	August 10, 2021	Nil	400,000	52,000	149,500
Michael Vande Guchte	500,000	0.35	August 10, 2021	Nil	400,000	52,000	65,000

(1) Calculated based on the difference between the market value of the shares underlying the option-based awards at the end of the most recently completed financial year, which was \$0.13, and the exercise or base price of the option-based award.

(2) Calculated based on the market value of the shares underlying the share-based awards at the end of the most recently completed financial year which was \$0.13.

Incentive plan awards – value vested or earned during the year ended December 31, 2017

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Share-based awards – Value vested during the year ⁽¹⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year ⁽²⁾ (\$)
John F. Kearney	Nil	430,000	Nil
Alan B. Taylor	Nil	342,500	Nil
Trevor L. Cunningham	Nil	261,250	Nil
Michael Vande Guchte	Nil	127,500	Nil

(1) The value of vested options or share-based awards represents the aggregate dollar value that would have been realized if any of the options granted had been exercised on the vesting dates. The dollar value of vested options is the difference between the market price of the underlying securities at exercise and the exercise price of the options on the vesting date.

(2) The Company does not have a formal bonus plan tied to set targets. Any bonus payments are entirely discretionary and are reviewed by the Compensation Committee as part of an overall review of performance for the year.

Stock Option Plan

Under the 2012 Plan (described below), options to purchase common shares of the Company may be granted to employees, officers and directors of the Company or subsidiaries of the Company and other persons or companies engaged to provide ongoing management or consulting services for the Company or any entity controlled by the Company. In determining the number of common shares of the Company subject to each option granted under the 2012 Plan, consideration is given to the present and potential contribution by such person or company to the success of the Company and the appropriate number and percentage of options that should be awarded and held by each party granted options relative to the total number of shares issued and stock options granted.

At December 31, 2017, there were 5,200,000 stock options outstanding, representing approximately 1.95% of the Company's issued and outstanding common shares as of December 31, 2017. At the Company's Annual General Meeting held on June 13, 2012, shareholders approved the adoption of a new stock option plan (the "2012 Plan"). The 2012 Plan is a fixed stock option plan pursuant to which options on up to 7,500,000 common shares may be issued to directors, officers, employees and service providers of the Company.

The purpose of the Company's equity compensation plans is to attract and motivate directors, officers and employees of and service providers to the Company (collectively, the "Optionees") and thereby advance the

Company's interests by affording such persons with an opportunity to acquire an equity interest in the Company through the stock options. The 2012 Plan authorized the board of directors (or Compensation Committee) to grant stock options to the Optionees on the following terms:

- Options may be granted to directors, officers and employees of the Company as well as persons or corporations engaged to provide services to the Company (or any entity controlled by the Company) and any individuals employed by such persons or corporations.
- The maximum number of shares that may be reserved for issue under the 2012 Plan is 7,500,000 common shares.
- The total number of shares issuable to all insiders of the Company at any time, under all security based compensation arrangements of the Company, cannot exceed 10% of the Company's issued and outstanding shares.
- The number of shares issued to insiders of the Company as a group, within any one year period, under all security based compensation arrangements of the Company, cannot exceed 10% of the Company's issued and outstanding shares as at the end of such one year period.
- The exercise price for stock options granted under the 2012 Plan must be not less than the closing market price on the day preceding the date of grant of the stock options.
- Vesting of stock options will be at the discretion of the Board of Directors, or any committee authorized by the Board of Directors to administer the 2012 Plan.
- The maximum term of stock options granted under the 2012 Plan will be ten years from the date of grant, subject to extension in the event of a management imposed black-out period.
- Any outstanding stock options with an expiry date occurring during a management imposed black-out period or within five days thereafter will be automatically extended to a date that is ten trading days following the end of the black-out period.
- If an Optionee ceases to be eligible to receive options under the 2012 Plan as a result of termination for cause, any outstanding options held by such Optionee on the date of such termination shall be cancelled as of that date.
- If an Optionee ceases to be eligible to receive options under the 2012 Plan for reasons other than termination for cause (or death), any outstanding options held by such Optionee at such time shall remain exercisable for a period ending on the earlier of the expiry time of such stock option or three months after the Optionee ceases to be eligible to receive stock options. Notwithstanding the foregoing, the Board of Directors may, on a case by case basis, allow such stock options to remain in full force and effect until any time up to the original expiry time of such stock options, irrespective of whether such expiry time is more than three months after the Optionee ceases to be eligible to receive stock options.
- Any outstanding stock options held by an Optionee at the time of his or her death shall remain exercisable by the person or persons to whom the rights of the Optionee's stock options are passed by the will of the Optionee or the laws of descent and distribution for a period ending on the earlier of the expiry date of such stock options or one year after the Optionee's death.
- The Board of Directors may from time to time, without shareholder approval and subject to applicable law and to the prior approval, if required, of TSX or any other regulatory body having authority over the Company or the 2012 Plan, suspend, terminate or discontinue the 2012 Plan at any time, or amend or revise the terms of the 2012 Plan or of any option granted under the 2012 Plan to:
 - (a) make amendments of a clerical or typographical nature and to include clarifying provisions in the 2012 Plan;

- (b) implement features or requirements that are necessary or desirable under applicable tax and securities laws;
- (c) change vesting provisions;
- (d) change termination provisions for an insider provided that the expiry time does not extend beyond the original expiry time under the 2012 Plan;
- (e) change termination provisions for an Optionee who is not an insider beyond the original expiry time;
- (f) reduce the exercise price of a stock option for an Optionee who is not an insider; and
- (g) implement a cashless exercise feature, payable in cash or securities;

provided that no such amendment, revision, suspension, termination or discontinuance shall in any manner adversely affect any stock option previously granted to an Optionee under the 2012 Plan without the consent of that Optionee. Any other amendments to the 2012 Plan or stock options granted there under will be subject to the approval of the shareholders.

- The 2012 Plan does not contain any provisions relating to the provision of financial assistance by the Company to Optionees to facilitate the purchase of common shares upon the exercise of stock options.
- Stock options granted under the 2012 Plan are not assignable, but may be exercised by the personal representative of a deceased Optionee.
- The 2012 Plan requires adjustments to the numbers of shares which may be acquired and the exercise price of stock options in the event the Company proceeds with certain changes or transactions in which the Company's share capital is altered, some form of corporate reorganization or special distribution is completed, a merger, amalgamation, spinout transaction, plan of arrangement, takeover bid, compulsory acquisition or going private transaction is completed. In such case the provisions typically entitle the Optionee to acquire, at the same aggregate price, the shares, cash, securities or other property to which the Optionee would have been entitled had the Optionee held the shares issuable under the stock option before such transaction, with certain exceptions.

Restricted Share Unit Plan

The RSU Plan is administered by the Compensation Committee of the Board or such other Committee of the Board as may be designated by the Board (the "**Committee**"). Employees, directors and eligible consultants of the Company and its designated subsidiaries are eligible to participate in the RSU Plan. In accordance with the terms of the RSU Plan, the Company, under the authority of the Board of Directors through the Committee, will approve those employees, directors and eligible consultants who are entitled to receive RSUs and the number of RSUs to be awarded to each participant. RSUs awarded to participants are credited to them by means of an entry in a notional account in their favour on the books of the Company. Each RSU awarded conditionally entitles the participant to receive one Common Share (or the cash equivalent) upon attainment of the RSU vesting criteria. The Committee may impose additional conditions to any particular RSU award.

RSUs Outstanding

During the year ended December 31, 2016, the Company issued 1,900,000 (2017 – nil and 2015 - 3,650,000) RSUs to senior officers and employees which remained outstanding at December 31, 2017. The RSUs granted are subject to a ten to eighteen month vesting period; a payout date of 2.5 to 3 years; an expiry date of 5 years; and are assigned a fair value based on the share price at time of issuance.

Subsequent to year end, the Company granted a total of 2,300,000 RSUs to senior officers subject to a twelve month vesting period; a payout date of 2 years; and an expiry date of 5 years.

Vesting

The vesting of RSUs is conditional upon the expiry of a time-based vesting period. The duration of the vesting period and other vesting terms applicable to the grant of the RSUs shall be determined at the time of the grant by the Committee.

Once the RSUs vest, the participant is entitled to receive the equivalent number of underlying Common Shares or cash equal to the Market Value of the equivalent number of Common Shares. The vested RSUs may be settled through the issuance of Common Shares from treasury by the delivery of Common Shares purchased in the open market, in cash or in any combination of the foregoing at the discretion of the Company. If settled in cash, the amount shall be equal to the number of Common Shares in respect of which the participant is entitled multiplied by the Market Value of a Common Share on the payout date. “**Market Value**” per share is defined in the RSU Plan and means, as at any date (if the Common Shares are listed and posted for trading on the TSX), the volume-weighted average price of the Common Shares traded on the TSX for the five (5) trading days on which a board lot was traded immediately preceding such date. The RSUs may be settled on the payout date, which shall be the third anniversary of the date of the grant or such other date as the Compensation Committee may determine at the time of the grant, which in any event shall be no later than the expiry date for such RSUs. The expiry date of RSUs will be determined by the Committee at the time of grant. However, the maximum term for all RSUs is two years after the participant ceases to be an employee or eligible consultant of the Company. All unvested or expired RSUs are available for future grants.

Maximum Number of Common Shares Available for Issue Under the RSU Plan

The maximum number of Common Shares which may be reserved, set aside and made available for issuance under the RSU Plan is a variable number equal to 3% of the issued and outstanding Common Shares of the Company as of the date of the grant on a non-diluted basis.

The RSU Plan provides that the maximum number of Common Shares issuable to insiders (as that term is defined by the TSX) pursuant to the RSU Plan, together with any Common Shares issuable pursuant to any other security-based compensation arrangement of the Company, will not exceed 10% of the total number of outstanding Common Shares. In addition, the maximum number of Common Shares issued to insiders under the RSU Plan, together with any Common Shares issued to insiders pursuant to any other security-based compensation arrangement of the Company within any one year period, will not exceed 10% of the total number of outstanding Common Shares (the “**RSU Insider Limit**”).

Cessation of Entitlement

Unless otherwise determined by the Company in accordance with the RSU Plan, RSUs which have not vested on a participant's termination date shall terminate and be forfeited. If a participant who is an employee ceases to be an employee as a result of termination of employment without cause, in such case, at the Company's discretion (unless otherwise provided in the applicable Grant Agreement), all or a portion of such participant's RSUs may be permitted to continue to vest, in accordance with their terms, during any statutory or common law severance period or any period of reasonable notice required by law or as otherwise may be determined by the Company in its sole discretion. All forfeited RSUs are available for future grants.

Transferability of RSUs

RSUs are not assignable or transferable other than by operation of law, except, if and on such terms as the Company may permit, to a spouse or minor children or grandchildren or a personal holding company or family trust controlled by a participant, the sole shareholders or beneficiaries of which, as the case may be, are any combination of the participant, the participant's spouse, minor children or minor grandchildren, and after the participant's lifetime shall enure to the benefit of and be binding upon the participant's designated beneficiary, on such terms and conditions as are appropriate for such transfers to be included in the class of transferees who may rely on a Form S-8 registration statement under the U.S. Securities Act of 1933, as amended, to sell Common Shares received pursuant to the RSU.

Amendments to the RSU Plan

The Board may, without notice, at any time and from time to time, without shareholder or RSU Plan participant approval, amend certain provisions of the RSU Plan in such manner as the Board, in its sole discretion, determines appropriate including:

- (a) for the purposes of making formal minor or technical modifications to any of the provisions of the RSU Plan;
- (b) to correct any ambiguity, defective provision, error or omission in the provisions of the RSU Plan;
- (c) to change the vesting provisions of RSUs;
- (d) to change the termination provisions of RSUs or the RSU Plan that does not entail an extension beyond the original expiry date of the RSU;
- (e) to preserve the intended tax treatment of the benefits provided by the RSU Plan, as contemplated therein; or
- (f) any amendments necessary or advisable because of any change in applicable laws;

provided, however, that:

- (g) no such amendment of the RSU Plan may be made without the consent of each affected participant if such amendment would adversely affect the rights of such affected participant(s) under the RSU Plan; and
- (h) Shareholder approval shall be obtained in accordance with the requirements of the TSX for any amendment that results in:
 - (i) an increase in the percentage of the outstanding Common Shares issuable pursuant to the RSU Plan ;
 - (ii) an extension of the expiry date for RSUs granted to insiders under the RSU Plan;
 - (iii) other types of compensation through Common Share issuance;
 - (iv) expansion of the rights of a participant to assign RSUs beyond what is currently permitted in the RSU Plan;
 - (v) the addition of new categories of participants, other than as already contemplated in the RSU Plan;
 - (vi) a change in the issue price of Common Shares issuable pursuant to the RSU Plan benefitting an insider;
 - (vii) a change to the amendment provisions of the RSU Plan; or
 - (viii) an amendment to remove or exceed the RSU Insider Limit.

Deferred Share Unit Plan

Administration of Plan and Eligible Participants

The Deferred Share Unit Plan (the “**DSU Plan**”) is used for the benefit of the Company’s non-executive directors. The Board may award Deferred Share Units (“**DSUs**”) under the DSU Plan to a non-executive director in such number as the Board deems advisable to provide the director with appropriate equity-based compensation for the services he or she renders to the Company.

A DSU is a unit credited to a Participant by way of a bookkeeping entry in the books of the Company, the value of which is equivalent to a Common Share. All DSUs paid with respect to such awards will be credited to the director by means of an entry in a notional account in their favour on the books of the Company (a “**DSU Account**”). The Board shall determine the date on which such DSUs may be granted and the date as of which such DSUs shall be credited to the director’s DSU Account. The Company and a director who receives such an award of DSUs shall enter into a DSU award agreement to evidence the award and the terms applicable thereto.

Additionally, the DSU Plan provides that non-executive directors may elect to receive up to 50% of their annual compensation amount (the “**Annual Base Compensation**”) in DSUs. All DSUs paid with respect to Annual Base Compensation will be credited to the director’s DSU Account when such Annual Base Compensation is payable. The director’s DSU Account will be credited with the number of DSUs calculated to the nearest thousandth of a DSU, determined by dividing the dollar amount of compensation payable in DSUs on the payment date by the Share Price of a Common Share at the time. Share Price is defined in the DSU Plan and means (if the Common Shares are listed and posted for trading on the TSX) the volume-weighted average price of a Common Share on the TSX over the five (5) consecutive trading days immediately preceding the date of grant or the redemption date, as the case may be. Fractional Common Shares will not be issued and any fractional entitlements will be rounded down to the nearest whole number.

Generally, a participant in the DSU Plan shall be entitled to redeem his or her DSUs during the period commencing on the business day immediately following the date upon which the non-executive director ceases to hold any position as a director of the Company and its subsidiaries and is no longer otherwise employed by the Company or its subsidiaries, including in the event of death of the participant (the “**Termination Date**”) and ending on the 90th day following the Termination Date. Redemptions under the DSU Plan may be in Common Shares issued from treasury, may be purchased by the Company on the open market for delivery to the director, or may be settled in cash or any combination of the foregoing at the discretion of the Company. The Committee may impose additional conditions to any particular DSU award.

DSUs Outstanding

During the year ended December 31, 2017, the Company issued 662,440 (2016 - 376,034 and 2015 - 276,340) DSUs to directors. As at December 31, 2017, a total of 1,123,844 DSUs remain outstanding. The DSUs are fully vested upon issuance; subject to the plan are paid out upon retirement and are assigned a fair value based on the five day volume weighted average share price upon issuance.

Maximum Number of Common Shares Available for Issue Under the DSU Plan

DSUs may be granted in accordance with the DSU Plan, provided the aggregate number of DSUs outstanding pursuant to the DSU Plan from time to time does not exceed 2% of the issued and outstanding Common Shares from time to time. The maximum number of Common Shares which may be reserved, set aside and made available for issuance under the DSU Plan is a variable number equal to 2% of the issued and outstanding Common Shares of the Company as of the date of grant on a non-diluted basis.

The DSU Plan provides that the maximum number of Common Shares issuable to insiders (as that term is defined by the TSX) pursuant to the DSU Plan, together with any Common Shares issuable pursuant to any other security-based compensation arrangement of the Company, will not exceed 10% of the total number of outstanding Common Shares. In addition, the maximum number of Common Shares issued to insiders under the DSU Plan, together with any Common Shares issued to insiders pursuant to any other security-based compensation arrangement of the Company within any one year period, will not exceed 10% of the total number of outstanding Common Shares (“**DSU Insider Limit**”).

Transferability of DSUs

No right to receive payment of deferred compensation or retirement awards shall be transferable or assignable by any participant under the DSU Plan except by will or laws of descent and distribution.

Amendments to the DSU Plan

The Board may at any time, and from time to time, and without shareholder or DSU Plan participant approval, amend certain provisions of the DSU Plan, subject to any regulatory or stock exchange requirement at the time of such amendment, including:

- (a) for the purposes of making formal minor or technical modifications to any of the provisions of the DSU Plan including amendments of a “clerical” or “housekeeping” nature;
- (b) to correct any ambiguity, defective provision, error or omission in the provisions of the DSU Plan;
- (c) amendments to the termination provisions of the DSU Plan;
- (d) amendments necessary or advisable because of any change in applicable laws;
- (e) amendments to the transferability of DSUs;
- (f) amendments relating to the administration of the DSU Plan; or
- (g) any other amendment, fundamental or otherwise, not requiring shareholder approval under applicable laws;

provided, however, that:

- (h) no such amendment of the DSU Plan may be made without the consent of each affected participant in the DSU Plan if such amendment would adversely affect the rights of such affected participant(s) under the DSU Plan; and
- (i) shareholder approval shall be obtained in accordance with the requirements of the TSX for any amendment:
 - (i) to increase the maximum number of Common Shares which may be issued under the DSU Plan;
 - (ii) to the amendment provisions of the DSU Plan;
 - (iii) to the definition of “Participant”;
 - (iv) to remove or exceed the DSU Insider Limit; or
 - (v) to change the issue price of Common Shares issuable pursuant to the DSU Plan benefitting an insider.

Equity Compensation Plan Information

The following table sets out certain details as at December 31, 2017 with respect to compensation plans pursuant to which equity securities of the Company are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights ⁽²⁾	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
2012 Stock Option Plan	5,200,000	\$0.35	2,300,000
Deferred Share Unit Plan	1,123,844	n/a	4,198,386
Restricted Share Unit Plan	5,550,000	n/a	2,433,346
Total	11,873,844	n/a	8,931,732

(1) Represents the number of common shares reserved for issuance upon exercise of outstanding options, RSUs and DSUs.

(2) Since RSUs and DSUs do not have an exercise price, they have not been factored into the weighted average price calculation.

Pension Plan Benefits

The Company does not provide any form of group pension plan benefits to employees, officers or directors.

Termination and Change of Control Benefits

Except as otherwise disclosed herein, the Company has no compensatory plan or arrangement in respect of compensation received, or that may be received, by a Named Executive Officer in the Company's most recently completed or current financial year to compensate such NEO in the event of the termination of employment (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Company or a change in responsibilities of the NEO following a change in control.

The Company entered into an Employment Agreement dated effective January 1, 2010 with Mr. Alan Taylor, Chief Operating Officer, for his continuing services as an officer of the Company (the "**Taylor Agreement**"). Certain provisions in the Taylor Agreement deal with events around termination of employment or resignation following a change of control of the Company, which is defined as the acquisition by any entity, directly or indirectly, of not less than fifty percent (50%) of the outstanding voting securities of the Company or the votes attached to those securities that are sufficient, if exercised, to elect a majority of the Board of Directors (a "**Change of Control**"). Should Mr. Taylor's employment with the Company be terminated without cause, Mr. Taylor is entitled to receive an amount equal to his then current annual salary upon termination, and a further amount equal to 50% of the initial termination pay amount on the first anniversary of his termination. In the event of a Change of Control and subsequent termination by the Company without cause, or resignation of Mr. Taylor, within 12 months of the Change of Control, Mr. Taylor is entitled to receive an amount equal to twenty-four months of his then current annual salary.

A summary of the potential payments to Mr. Taylor, assuming the applicable resignation or termination had occurred on December 31, 2017, is: termination without cause - \$300,000; termination without cause or resignation following a change of control - \$400,000.

The Company entered into an Employment Agreement effective January 17, 2011 with Mr. Trevor Cunningham, CFO, for his continuing services as an officer of the Company (the "**Cunningham Agreement**"). Certain provisions in the Cunningham Agreement deal with events around termination of employment and change in responsibilities amounting to constructive dismissal following a Change of Control. If Mr. Cunningham's employment is terminated without cause, Mr. Cunningham is entitled to receive twelve months' termination pay at his then current annual salary. In the event of a Change of Control and subsequent termination or constructive dismissal within 12 months of the Change of Control, Mr. Cunningham is entitled to receive, in addition to termination pay, a further amount equal to six months' termination pay at his then current annual salary.

A summary of the potential payments to Mr. Cunningham, assuming the termination had occurred on December 31, 2017, is: termination without cause - \$190,000; termination without cause following a change of control - \$285,000.

Director Compensation

The following table shows director compensation for each director, other than directors that are also Named Executive Officers, for the year ended December 31, 2017.

Name	Fees earned	Share-based awards ⁽¹⁾	Option-based awards ⁽²⁾	Non-equity incentive plan compensation	Pension value	All other compensation	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Dave Nickerson	10,000	25,000	Nil	Nil	N/A	Nil	35,000
Jean-Charles Potvin	10,000	25,000	Nil	Nil	N/A	Nil	35,000
Malcolm J.A. Swallow	10,000	25,000	Nil	Nil	N/A	Nil	35,000
Ian Ward	10,000	25,000	Nil	Nil	N/A	Nil	35,000
John Warwick	10,000	25,000	Nil	Nil	N/A	Nil	35,000

(1) Upon issuance, the DSUs are fully vested and are assigned a fair value based on the five day volume weighted average share price. Subject to the terms and conditions of the DSU Plan, DSUs are paid out upon retirement.

(2) The value of option-based awards represents the grant date fair value of the stock options awarded.

Prior to August 2015, the Company paid each director, other than directors that are also Named Executive Officers, an annual fee of \$20,000, (payable quarterly and pro-rated for partial months served) plus \$500 for each meeting or committee meeting attended. The Chair of the Audit Committee and Compensation Committee (providing the Chair is not also an executive officer of the Company) receives an additional \$500 per meeting attended.

In August 2015, having regard to the financial position of the Company and in light of continued uncertainty in the capital markets and the current lack of investor interest in the resource sector, the Board implemented cost reduction measures which included a change in the composition of Directors' remuneration to reduce the cash component from \$20,000 per year to \$10,000 per year and to award the grant of Deferred Share Units to a value of \$25,000 per year, payable quarterly. An aggregate of \$175,000 was paid to directors for their services as directors during 2017.

From time to time, directors may be retained to provide specific services to the Company, or sit on additional sub-committees of the Board of Directors, and will be compensated on a basis to be determined at the time.

Share-based awards, option-based awards and non-equity incentive plan compensation

The following table shows all option-based and share-based awards outstanding to each director, other than those that are also Named Executive Officers, as at December 31, 2017.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed ⁽¹⁾ (\$)
Dave Nickerson	200,000	0.35	August 10, 2021	Nil	Nil	Nil	49,176
Jean-Charles Potvin	200,000	0.35	August 10, 2021	Nil	Nil	Nil	24,231
Malcolm J.A. Swallow	200,000	0.35	August 10, 2021	Nil	Nil	Nil	24,231
Ian Ward	200,000	0.35	August 10, 2021	Nil	Nil	Nil	24,231
John Warwick	200,000	0.35	August 10, 2021	Nil	Nil	Nil	24,231

(1) Calculated based on the market value of the shares underlying the share-based awards at the end of the most recently completed financial year which was \$0.13.

Incentive plan awards – value vested or earned during the year

The following table shows all incentive plan awards values vested or earned for each director, other than those that are Named Executive Officers, during the year ended December 31, 2017.

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Share-based awards – Value vested during the year ⁽²⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Dave Nickerson	Nil	25,000	Nil
Jean-Charles Potvin	Nil	25,000	Nil
Malcolm J.A. Swallow	Nil	25,000	Nil
Ian Ward	Nil	25,000	Nil
John Warwick	Nil	25,000	Nil

(1) The value of vested options represents the aggregate dollar value that would have been realized if any of the options granted had been exercised on the vesting dates. The dollar value is the difference between the market price of the underlying securities at exercise and the exercise price of the options on the vesting date.

(2) The value of vested share-based awards represents the aggregate dollar value that would have been realized if the share-based awards granted had been exercised on the vesting dates.

Other than the DSU Plan, the Company has no plans pursuant to which cash or non-cash compensation was paid or distributed to directors during the most recently completed financial year or is proposed to be paid or distributed in a subsequent year.

In 2014, the Company adopted a Deferred Share Unit Plan for the benefit of the Company's, directors. The DSU Plan is intended to assist the Company in the recruitment and retention of qualified, directors by providing a means to compensate directors and through the proposed issuance by the Company of Common Shares under the DSU Plan, to better align the interests of directors with the long-term interests of Shareholders.

Directors are eligible to participate in the 2012 Plan and the DSU Plan. During the financial year ended December 31, 2017, 662,440 (2016 - 376,034 and 2015 - 276,340) DSUs were granted to the directors of the Company.

Directors' and Officers' Liability Insurance

Section 21 of the Articles of the Company provides for mandatory indemnification of directors and former directors against all costs, charges and expenses in respect of any proceeding to which they are made a party by reason of being a director or officer of the Company, subject any limitations contained in the Articles and in the Business Corporations Act (British Columbia). The Company maintains insurance for the benefit of the Company's directors and officers against liability incurred by them in their capacity as directors and officers. No claims have been made to date.

Indebtedness to Company of Directors and Executive Officers

As at March 28, 2018, there was no indebtedness outstanding of any current or former director, executive officer or employee of the Company or any of its subsidiaries which is owing to the Company or any of its subsidiaries or to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries, entered into in connection with a purchase of securities or otherwise.

No individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the Company, no proposed nominee for election as a director of the Company and no associate of such persons:

- (i) is or at any time since the beginning of the most recently completed financial year has been, indebted to the Company or any of its subsidiaries; or
- (ii) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries,

in relation to a securities purchase program or other program.

C. Disclosure of Corporate Governance Practices

Independence of Board Members

At the end of 2017, the Board of Directors consisted of seven directors. Five of the directors, Dave Nickerson, Jean-Charles Potvin, Malcolm Swallow, Ian Ward and John Warwick, were considered independent of management and of any significant shareholder and are considered competent to exercise independent judgment in carrying out their responsibilities as directors. None of these directors has any direct or indirect material relationship with the Company or its subsidiaries nor any relationship pursuant to which he may accept, directly or indirectly, any consulting, advisory or other compensatory fees, other than as remuneration for acting in his capacity as a member of the Board of Directors or a committee of the Board. The Company has not entered into service contracts with the independent directors nor does it provide for benefits upon termination or retirement.

In December 2017 the Company entered into a financing agreement and an investor agreement with RCF VI. The agreements with RCF VI contains various rights granted to RCF VI, including among other things, participation rights in favor of RCF VI to maintain its pro rata shareholding interest in the Company for as long as it remains a significant shareholder; the right to nominate one member to the board of directors of the Company; and certain other project oversight rights.

The Chairman of the Board, John F. Kearney, is not independent in that he is also President and Chief Executive Officer of the Company. Alan B. Taylor is not independent as he is the Vice-President Exploration and Chief Operating Officer of the Company.

The Chairman of each of the Audit Committee and the Compensation Committee is an independent director, who provides leadership to those committees, and the Chairman of the Board does not sit on the Compensation Committee.

Management Supervision by the Board

The Company Officers report upon the operations of the Company directly to the Board on a regular basis. The Company does not have an appointed lead director. The independent directors are able to meet at any time they consider necessary without any members of management, including non-independent directors, being present. The Audit Committee is composed of independent directors who meet with the Company's auditors, and without management in attendance, if considered necessary or desirable. The independent directors have regular and full access to management. Although the independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance, the independent directors are able to meet at any time without the non-independent directors being present if considered necessary or desirable. The independent directors hold in camera discussions at every quarterly Audit Committee meeting to facilitate open and candid discussion amongst themselves.

Participation of Directors in Other Reporting Issuers

The participation of the Directors in other reporting issuers is described in the following table:

Name of Director	Name of Other Reporting Issuer
John F. Kearney	Anglesey Mining Plc ⁽¹⁾ Buchans Resources Limited ⁽¹⁾ Conquest Resources Limited ⁽¹⁾ Labrador Iron Mines Holdings Limited ⁽¹⁾ Xtierra Inc. ⁽¹⁾
Dave Nickerson	Stay Gold Inc.
Jean-Charles Potvin	Azimut Exploration Inc. Gold Reserve Inc. Murchison Minerals Ltd.
John Warwick	Sheritt International Corporation
Malcolm J.A. Swallow	Silvercorp Metals Inc.

(1) John F. Kearney is a director of a group of associated public companies, which have some overlapping or common management and which share office space or other facilities with the Company. In a general sense, these companies operate as a 'group' of which John Kearney may be described as "group" Chairman.

Participation of Directors in Board Meetings

In the year ended December 31, 2017, eight Board meetings were held. In addition, there were four meetings of the Audit Committee, one of the Compensation Committee and one of the Health & Safety Committee. The attendance record of each director for the Board and applicable committee meetings held is as follows:

Name of Director	Board Meetings Attended	Committee Meetings Attended
John F. Kearney	8 of 8	N/A ⁽¹⁾
Dave Nickerson	8 of 8	6 of 6
Jean-Charles Potvin	7 of 8	4 of 4
Malcolm J.A. Swallow	7 of 8	1 of 1
Alan B. Taylor	8 of 8	1 of 1
Ian Ward	7 of 8	1 of 1
John Warwick	8 of 8	5 of 5

1. Mr. Kearney is not a member of any of the Company's committees.

Board Mandate

The Board does not have a written mandate. The mandate of the Board is to supervise the management of the business and affairs of the Company. As part of its overall stewardship, the Board assumes responsibility for strategic planning, identification of the principal risks associated with the Company's business and ensuring appropriate management of these risks and making all senior officer appointments, including responsibility for evaluating performance, management development and succession planning.

Position Descriptions

The Board has not developed written position descriptions for the Chairman of the Board or the chairs of each of the Board Committees. The Board is of the view that the role and responsibilities of the Chairman of the Board and of the Chairs of the respective Committees are sufficiently familiar that no separate written position descriptions are necessary or advisable. Their primary roles are the managing of the affairs of the Board or such committee including ensuring the Board or such committee is organized properly, functions effectively and meets its obligations and responsibilities. Each chairman conducts the affairs of the committees in accordance with the charters of such committee.

The Company does not have a written employment contract, or a written position description, in place with its President and Chief Executive Officer. The Chief Executive Officer is responsible for the day to day operations of the Company and reports directly to the Board on a regular basis. The Board responds to, and if it considers appropriate, approves with such revisions as it may require, recommendations which have been brought forward by the Chief Executive Officer. In addition to those matters which by law must be approved by the Board, all significant activities and actions proposed to be taken by the Company including in particular capital budgets, financing, property acquisitions or dispositions, senior appointments and compensation are subject to approval by the Board.

Orientation and Continuing Education

The Company does not have a formal orientation or education program for directors. New Board members are provided with information respecting the functioning of the Board and its Committees. In addition, directors receive copies of Board materials, corporate policies and procedures, and other information regarding the business and operations of the Company. Board members are expected to keep themselves current with industry trends and developments and are encouraged to communicate with management and, where applicable, auditors and technical consultants of the Company, and visit the Company's offices on a regular basis. Board members have access to legal counsel to the Company in the event of any questions or matters relating to the Board members' corporate and director responsibilities and to keep themselves current with changes in legislation. Board members have full access to the Company's records and general industry information and material of interest is circulated to directors on a regular basis.

Ethical Business Conduct

The Board assumes responsibility for the Company's approach to corporate governance matters. The Board views good corporate governance and ethical business conduct as an integral and essential component to the supervision and management of the Company and to meet responsibilities to shareholders, employees and other stakeholders.

The Board has adopted a written Code of Ethics for directors, officers and employees – a copy of this Code can be found on the Company's website at www.canadianzinc.com. The Code is intended to define the ethical and regulatory standards applicable to all directors, officers and employees (including contractors) of the Company, and their family members, and provides guidance as to the following matters (being a summary and not an exhaustive list): honest and ethical conduct; avoidance of conflicts of interests, whether actual or perceived; full, fair, accurate, timely and understandable disclosures; compliance with legislation and regulations; prompt internal disclosure of any violation of the Code; and accountability for any failure to respect the Code.

The Code is not considered a comprehensive guide to all of the Company's policies or to individuals' responsibilities under applicable laws and regulations. The Code is intended to provide general parameters and

expectations of the Company and is provided to all directors, officers, employees, and key contractors when they commence their services with the Company.

The Board conducts periodic reviews of the Company's corporate governance practices and procedures in the light of applicable rules and guidelines and the current status and stage of development of the Company.

Directors are expected to adhere to all corporate law requirements in respect of any transaction or agreement in which they may have a material interest. It is a requirement of applicable corporate law that directors who have an interest in a transaction or agreement with the Company promptly disclose that interest at any meeting of the Board at which the transaction or agreement will be discussed and abstain from discussions and voting in respect to same if the interest is material. Where appropriate, any director having a material conflict of interest is expected to withdraw from the meeting and not participate in the meeting where such matter is being considered, so that the remaining directors may properly exercise independent judgment.

Nomination of Directors

The Board has appointed an Nominating Committee consisting of J. C. Potvin, John Kearney and John Warwick. The mandate of the Nominating Committee is to identify the experience and competency the Board requires, assess the skills of current board members, determine if the Board would benefit from new directors and evaluate and recommend suitable director candidates. Nominations, as they arise, are generally the result of formal or informal discussions with members of the Board or recommendations by members of the Board. Nominations to the Board are determined, after appropriate review and investigation and recommendation of the Nominating Committee, by the Board of Directors.

In December 2017 the Company entered into an investor agreement with RCF VI. The investor agreement with RCF VI contains various rights granted to RCF VI, including among other things the right to nominate one member to the board of directors of the Company.

Compensation Committee

The Board has appointed a Compensation Committee which has responsibility for determining compensation for the directors and senior management. In 2017, the Compensation Committee of the Board consisted of Dave Nickerson, Malcolm Swallow, and John Warwick (all considered independent directors). The Compensation Committee relies on the general knowledge and experience of its members, and recommendations from senior management, in reviewing appropriate levels of compensation for executive officers and the implementation of, or amendment to, any other aspects of compensation that the Compensation Committee may review from time to time. All Compensation Committee members have relevant general, but not direct, experience in executive compensation and compensation policies and practices in the junior mineral resources business gained through current and prior experience in business, the minerals industry and government.

Pursuant to its Charter, the Compensation Committee has, among others, the following responsibilities:

- Review and make recommendations to the Board regarding the Company's compensation plans, including with respect to incentive-compensation plans and equity-based plans, policies and programs.
- Review the level and form of the directors' compensation and recommend changes to the Board for consideration and approval.
- Review and monitor the Company's employee and management compensation and benefit plans and policies, provide oversight of any employee benefit plan, and review and approve the compensation of the Company's executive officers.
- Annually review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives and establish the individual elements of the CEO's total compensation based on this evaluation.
- Review and make recommendations to the Board with regard to grants and/or awards of restricted stock, stock options and other forms of equity-based compensation under the Company's stock option, incentive-compensation and equity-based plans (as applicable).
- Review and make recommendations to the Board, when and if appropriate, of employment agreements, severance agreements and change in control provisions / agreements for the CEO and other executive officers.

The Compensation Committee makes recommendations to the Board with respect to the compensation of the President and CEO. The Compensation Committee meets as requested by the Board or the CEO, or as considered desirable by the Compensation Committee. The Compensation Committee has the authority to retain independent advisors as it may deem necessary or appropriate to allow it to discharge its responsibilities.

Other Committees

In addition to the Audit Committee and the Compensation Committee, the Board also has a Health & Safety Committee comprised of Board members Alan Taylor, Ian Ward and Dave Nickerson and also the Prairie Creek Site Managers. The function of the Health & Safety Committee is to review the Company's Health & Safety Policies, practices and programs, to oversee and regularly evaluate the Company's health and safety performance and to monitor and advise the Board on current and anticipated future best practices and regulatory issues relating to health and safety.

Assessment

The Board of Directors continuously reviews on an ongoing informal basis the effectiveness of the Board as a whole and the effectiveness, contribution and performance of the Board, its committees and individual directors. Each year, when it determines the number of directors to be elected at the annual meeting of shareholders, the Board considers its appropriate size and composition to properly administer the affairs of the Company and to effectively carry out the duties of the Board, given the Company's current status and stage of development.

Director Term Limits and Other Mechanisms of Board Renewal

The Company does not impose term limits on its directors. The Company believes term limits are an arbitrary mechanism for removing directors, and can result in highly qualified and experienced directors forced out solely based on the length of their service.

Policies Regarding the Representation of Women

The Company has not adopted a written policy relating to the identification and nomination of women directors, as it believes that the interests of the Company would be best served by ensuring that new directors are identified and selected from the widest possible group of potential candidates. A formalized written diversity policy governing the identification and selection of potential women candidates may unduly restrict the Board's ability to select the best and most suitable candidate.

The Board is responsible for establishing qualifications and skills necessary for an effective Board and for various committees of the Board, including but not limited to factors such as professional experience, particular areas of expertise, personal character, potential conflicts of interest, diversity and other commitments.

Although diversity (which includes diversity in gender, age, ethnicity and cultural background) is one of the factors considered in the Company's director identification and selection process, other factors, including knowledge and relevant experience, or particular areas of expertise, are given greater consideration in the director identification and selection process. In light of the Company's view that candidates should be selected from the widest possible group of qualified individuals, the level of representation of women may be considered, but is not a major factor in identifying and nominating candidates for election to the Board.

As part of the process to identify and select nominees proposed for election at the 2016 Annual Meeting, to fill the vacancies covered by the retirement of two directors and to expand and strengthen the composition of the Board, a number of potential women candidates were identified as having the appropriate and relevant experience but none of these potential candidates were available due to various factors.

The Company's views with respect to the representation of women in executive officer positions when making executive officer appointments is the same as its views on the representation of women in the director identification and selection process. In making decisions as to executive officer appointments, the Company believes that decisions to hire or promote an individual should be based on that person's knowledge and experience, particular

areas of expertise, character and merit. Accordingly, the representation of women in executive officer positions may be considered but is not a major factor when making executive officer appointments.

The Company has not adopted a target regarding the representation of women on the Board or in executive officer positions for the reasons set out above. The Company believes that adopting such a target may unduly restrict its ability to select, hire or promote the best and most suitable candidate for the position in question.

The Company currently does not have any women Board members or executive officers.

Audit Committee Charter

The Audit Committee has adopted a Charter, the text of which is set out below:

“Charter of the Audit Committee of the Board of Directors”

I. MANDATE

The Audit Committee (the “**Committee**”) is appointed by the Board of Directors (the “**Board**”) of Canadian Zinc Corporation (the “**Corporation**”) to assist the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting process and internal controls for the Corporation. The Committee’s mandate and responsibilities are to:

- recommend to the Board the external auditors to be nominated and the compensation of such auditor;
- oversee and monitor the work and performance of the Corporation’s external auditors, including meeting with the external auditors and reviewing and recommending all renewals or replacements of the external auditors and their remuneration;
- pre-approve all non-audit services to be provided to the Corporation by the external auditors;
- review the financial statements and management’s discussion and analysis (MD&A) and annual and interim financial results press releases of the Corporation;
- oversees the integrity of internal controls and financial reporting procedures of the Corporation and ensure implementation of such controls and procedures;
- provide oversight to any related party transactions entered into by the Corporation.

II. AUTHORITY OF THE AUDIT COMMITTEE

The Committee shall have the authority to:

- engage independent counsel and other advisors as it determines necessary to carry out its duties;
- set and pay the compensation for advisors employed by the Audit Committee; and
- communicate directly with the external auditors.

III. COMPOSITION AND MEETINGS

- The Committee and its membership shall meet all applicable legal, regulatory and listing requirements, including those of all applicable securities regulatory authorities.
- The Committee shall be composed of three directors as shall be designated by the Board from time to time. The members of the Committee shall appoint from among themselves a member who shall serve as Chair. A minimum of two members of the Committee present either in person or by telephone shall constitute a quorum.

The Committee members will be elected annually at the first meeting of the Board following the annual general meeting of shareholders.

- Each member of the Committee shall be “independent” and shall be “financially literate” (as each such term is defined in Multilateral Instrument 52-110)
- The Committee shall meet at least quarterly, as circumstances dictate or as may be required by applicable legal or listing requirements.

- Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.

IV. RESPONSIBILITIES

- The Committee shall review the annual audited financial statements to satisfy itself that they are presented in accordance with applicable International Financial Reporting Standards and report thereon to the Board and recommend to the Board whether or not same should be approved, prior to their being filed with the appropriate regulatory authorities. The Committee shall also review the interim financial statements.
- The Committee shall review any internal control reports prepared by management and the evaluation of such report by the external auditors, together with management's response.
- The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, management's discussion and analysis and annual and interim earnings press releases before the Corporation publicly discloses this information.
- The Committee shall review management's discussion and analysis relating to annual and interim financial statements and any other public disclosure documents, including interim earnings press releases, before the Corporation publicly discloses this information.
- The Committee shall meet no less frequently than annually with the external auditors to review accounting practices, internal controls and such other matters as the Committee deems appropriate.
- The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- The Committee shall provide oversight to any related party transactions entered into by the Corporation.
- In the event that the Corporation wishes to retain the services of the Corporation's external auditors for tax compliance or tax advice or any non-audit services the Chief Financial Officer of the Corporation shall consult with the Audit Committee, who shall have the authority to approve or disapprove such non-audit services. The Audit Committee shall maintain a record of non-audit services approved by the Audit Committee for each fiscal year and provide a report to the Board on an annual basis.
- The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.
- The Committee shall perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate.

Composition of Audit Committee

The Audit Committee, as of the date of this Annual Report, is composed of independent directors John Warwick, Dave Nickerson and Jean-Charles Potvin. The Company considers each member of the Audit Committee to be financially literate for the purposes of National Instrument 52-110.

Relevant Education and Experience

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as a member of the Audit Committee is set out below:

John Warwick graduated from the University of Toronto with a BA in Mathematics and Economics in 1976. In 1978 he received a MBA also from the University of Toronto. Mr. Warwick became a Chartered Financial Analyst in 1986. He worked in the financial service industry from 1978 until his retirement in 2014. He started as a financial analyst and portfolio manager at the CN Investment Division which managed the pension fund for CN Rail. He subsequently worked as a financial analyst specializing in the mining sector at Gardiner Watson Ltd., Burns Fry Ltd. and Gordon Capital Corp., where he served as Executive Vice President and Vice Chairman and also acted as the director of research. Mr. Warwick was a founding partner of Paradigm Capital Inc. where he headed the investment banking department from 1999 to 2014. Currently John Warwick is a member of the CFA Institute and the Canadian Institute of Mining, Metallurgy and Petroleum and since June 2017 a Director of Sherritt International Corporation. Mr. Warwick has an in depth understanding of the accounting principles used by the Corporation to

prepare its financial statements and has the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves. He has in depth experience evaluating financial statements. He has an in depth understanding of internal controls and procedures for financial reporting.

Dave Nickerson B.Sc., M.Sc., Mr. Nickerson holds a Bachelors degree in Mining Engineering from the University of Birmingham and a Masters degree in Mineral Exploration from Laurentian University and has taken Post-Graduate Courses in Mineral Development and in Legislation Strategy at McGill University, Montreal. He is a Professional Engineer and a member of the Northwest Territories and Nunavut Association of Professional Engineers and Geoscientists. He was elected as Member of Parliament for three terms 1979 to 1988, during part of which time he served as a member of the House Standing Committee on Public Accounts, and as a Member of the Legislative Assembly of the Northwest Territories 1975 to 1979. He served as the Chairman of the Northwest Territories Water Board from 1988 to 1994. He has served as a director of public companies for a period in excess of five years. He has an understanding of the accounting principles used by the Company to prepare its financial statements and has the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves. He has experience evaluating financial statements with accounting issues comparable to the financial statements and issues that can reasonably be expected to be raised by the Company's financial statements. He has an understanding of internal controls and procedures for financial reporting.

Jean-Charles Potvin holds an Honours Bachelor of Science degree in Geology from Carleton University (1976) and a Master of Business Administration degree with a Finance major from the University of Ottawa (1979). Mr. Potvin was a director and Vice-President of Burns Fry Limited (now BMO Nesbitt Burns Inc.) from February 1981 until January 1994 where he evaluated worldwide mining investment opportunities. He was a top-ranked gold mining analyst for many years. He had also been involved in securing financing for a number of North American gold producers. He took Pangea Goldfields public in the capacity of President and Chief Executive Officer in early 1994. Pangea Goldfields Inc. was a "first mover" into Tanzania discovering 4 major gold deposits, three of which (Tulawaka, Golden Ridge and Buzwagi) were put in production. Pangea was acquired in July 2000 by Barrick Gold Corporation for \$204 million. Mr. Potvin was the President of Tiomin Resources from 1989 onwards. Tiomin acquired and completed a feasibility study on the Cerro Colorado copper deposit in Panama and discovered the Kwale mineral sands titanium deposit in Kenya in 1995. Tiomin raised US\$220 million in project financing in 2006 for Kwale which included \$50 million in equity, \$50 million in project debt from China and \$120 million from international banks. Mr. Potvin is currently Chairman and a director of Murchison Minerals Ltd. He is also a director of Gold Reserve Corporation, a public natural resource company and of Azimut Exploration Inc., a Canadian mineral exploration company focused on Quebec. He sits as a member of the Audit Committee of these companies. He has a good understanding of accounting principles and practices in preparing financial reports for public companies.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year (January 1, 2017) there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board of Directors.

Pre-Approval Policies and Procedures

The Audit Committee has adopted procedures requiring Audit Committee review and approval in advance of all particular engagement for services provided by the Auditors. Consistent with applicable laws, the procedures permit limited amounts of services, other than audit services, to be approved by the Audit Committee provided the Audit Committee is informed of each particular service. All of the engagements and fees for fiscal 2017 and 2016 were approved by the Audit Committee. The Audit Committee reviews with the auditors whether non-audit services to be provided, if any, are compatible with maintaining the auditor's independence.

Interest of Informed Person in Material Transactions

No informed person or proposed director of the Company, or any associate or affiliate of any informed person or proposed director, has had a material interest, direct or indirect, in any transaction of the Company since the

commencement of the Company's last fiscal year or in any proposed transaction which has materially affected or would materially affect the Company.

Management Contracts

Except as disclosed under the heading “*Disclosure of Corporate Governance Practices – Other Committees*”, no management functions of the Company or any of its subsidiaries are performed to any substantial degree by a person other than the directors or executive officers of the Company.

D. Employees

As of December 31, 2017, the Company had eight permanent employees. Seven employees are based in the Company's corporate offices, two in Ontario, Canada and five in British Columbia, Canada. One employee in Northwest Territories, Canada is based in the Company's field office. In addition, the Company utilizes the services of contractors to assist in certain tasks and projects and temporary employees to assist with field exploration programs. The Company's employees are not members of a labour union.

E. Share Ownership

The following table sets forth the shareholdings, to the best of Management's knowledge, owned beneficially, directly or indirectly, by the Company's directors and officers as of March 28, 2018. There were 266,111,543 common shares issued and outstanding as of March 28, 2018.

Name	Common Shares beneficially owned, controlled or directed, directly or indirectly	Percentage of Outstanding Common Shares (%)	Stock Options, DSUs, and RSUs owned, controlled or directed, directly or indirectly
John F. Kearney	3,700,909	1.39	4,000,000
Dave Nickerson	173,000	0.07	578,280
Jean-Charles Potvin	104,000	0.04	386,391
Malcolm J.A. Swallow	-	-	386,391
Alan B. Taylor	124,000	0.05	3,000,000
Ian Ward	-	-	386,391
John Warwick	100,000	0.04	386,391
Trevor L. Cunningham	15,000	0.01	2,300,000
Total	4,216,909	1.60	11,423,844

See “Item 6.B. – Compensation” for a table setting out the stock options currently outstanding to the Company's directors and officers and for information regarding equity compensation plans.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

To the best of the Company's knowledge the following table sets forth information regarding the share ownership of the Company as of March 28, 2018 of shareholders that are beneficial owners of 5% or more of the Company's outstanding common shares based on filings made by insiders on the System for Electronic Disclosures by Insiders (www.sedi.ca) website.

Name of Owner	Number of Common Shares	Percentage
Resource Capital Fund VI L.P.	51,630,000	19.4%
Zhongrun International Mining Co. Ltd.	15,000,000	5.6%

To the best of the Company's knowledge and other than as disclosed in this Annual Report, the Company is not directly or indirectly controlled or owned by any other corporation, foreign government or any other natural or legal person and it is not subject to any arrangements the operation of which may at a subsequent date result in a change in control of the Company.

Except as disclosed below, the Company's major shareholders as listed above do not have any different voting rights than those held by any other Company shareholder.

In December 2017 the Company entered into a financing agreement and an investor agreement with RCF VI. The agreements with RCF VI contains various rights granted to RCF VI, including among other things, participation rights in favor of RCF VI to maintain its pro rata shareholding interest in the Company for as long as it remains a significant shareholder; the right to nominate one member to the board of directors of the Company; and certain other project oversight rights.

Outstanding Share Data

As at March 28, 2018, the Company has 266,111,543 common shares issued and outstanding. In addition, there are outstanding stock options; share purchase options and warrants for a further 5,200,000; 8,973,844 and 2,448,000 common shares respectively.

As of March 14, 2018, there were 84 shareholders of record of the Company's common shares in the United States, holding 0.93% of the outstanding common shares of the Company.

B. Related Party Transactions

On December 22, 2017, the Company entered into a Project Bridge Loan with RCF VI pursuant to which RCF VI provided an interim non-convertible project loan in the amount of US\$10 million. The Project Bridge Loan bears an interest rate of 8%, payable quarterly and will mature on January 31, 2019. The loan is secured by a charge on the Company's assets and contains customary affirmative and negative covenants and events of default.

During the year ended December 31, 2017, the Company incurred rent expense in the amount of \$24,000 (2016 - \$24,000 and 2015 - \$24,000) with Buchans Minerals Corporation, a corporation in which the Chairman of the Company, John F. Kearney, serves as a director and with which the Company has an office sharing arrangement. These transactions were within the normal course of business and have been recorded at amounts agreed to by the transacting parties.

Other than the loan of US\$10 million due to RCF VI in January 2019, there was not an amount owing to related parties and included in accounts payable and accrued and other liabilities at December 31, 2017 nor was there an amount recorded at the end of the previous year.

During the year ended December 31, 2017, the Company incurred short-term employee remuneration and benefits to officers and directors in the amount of \$868,000 (2016 - \$650,000 and 2015 - \$690,000) and recognized share-based compensation for officers and directors in the amount of \$775,000 (2016 - \$986,000 and 2015 - \$124,000).

Other than as noted above, there were no material transactions in the fiscal year ended December 31, 2017, or proposed material transactions between the Company or any of its subsidiaries and:

- (a) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the Company;
- (b) associates;
- (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and close members of any such individual's family;
- (d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and senior management of companies and close members of such individuals' families;
- (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence including enterprises owned by directors or major shareholders of the Company and enterprises that have a member of key management in common with the Company..

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Consolidated Financial Statements

The consolidated financial statements of the Company and audit report of the Company's independent auditor for the year ended December 31, 2017, are filed as part of this Form 20-F under Item 18.

Legal or Arbitration Proceedings

The Company currently is not a party to any material legal or arbitration proceeding.

The Company is not aware of any material proceeding in which any director, member of senior management or affiliate of the Company is either a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries.

Dividend Policy

The Company has not paid any dividend or made any other distribution in respect of its outstanding common shares and management does not anticipate that the Company will pay dividends or make any other distribution in respect on its common shares in the foreseeable future.

B. Significant Changes

There have been no significant changes in the affairs of the Company since the date of the audited annual consolidated financial statements of the Company as at and for the year ended December 31, 2017, other than as discussed in this Annual Report.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Nature of Trading Market.

The common shares of the Company trade on the TSX under the symbol "CZN." The Company's common shares also trade on the OTCQB in the United States under the symbol "CZICF."

Trading on the TSX

The following table sets forth the high and low sale prices on the TSX for the common shares for the last five fiscal years ended December 31, 2017.

Year Ended	High CDN\$	Low CDN\$
December 31, 2017	0.31	0.13
December 31, 2016	0.41	0.08
December 31, 2015	0.24	0.06
December 31, 2014	0.54	0.18
December 31, 2013	0.73	0.37

The following table sets forth the high and low sale prices on the TSX for the common shares for each quarterly period in the two most recent fiscal years ended December 31, 2017.

Quarter Ended	High CDN\$	Low CDN\$
December 31, 2017	0.21	0.13
September 30, 2017	0.23	0.16
June 30, 2017	0.22	0.15
March 31, 2017	0.31	0.20
December 31, 2016	0.32	0.18
September 30, 2016	0.41	0.25
June 30, 2016	0.34	0.14
March 31, 2016	0.21	0.08

The following table sets forth the high and low sales prices on the TSX for the common shares for each monthly period in the last six months.

Month Ended	High CDN\$	Low CDN\$
February 28, 2018	0.15	0.13
January 31, 2018	0.18	0.14
December 31, 2017	0.18	0.13
November 30, 2017	0.18	0.13
October 31, 2017	0.21	0.16
September 30, 2017	0.23	0.18

Trading on the OTCQB

The following table sets forth the high and low sale prices on the OTCBB or OTCQB, as applicable, for the common shares of the Company for the last five fiscal years ended December 31, 2017.

Year Ended	High U.S.\$	Low U.S.\$
December 31, 2017	0.24	0.10
December 31, 2016	0.32	0.06
December 31, 2015	0.20	0.05
December 31, 2014	0.48	0.15
December 31, 2013	0.73	0.36

The following table sets forth the high and low sale prices on the OTCBB or OTCQB, as applicable, for the common shares of the Company for each quarterly period in the two most recent fiscal years ended December 31, 2017.

Quarter Ended	High U.S.\$	Low U.S.\$
December 31, 2017	0.17	0.10
September 30, 2017	0.19	0.12
June 30, 2017	0.17	0.11
March 31, 2017	0.24	0.15
December 31, 2016	0.24	0.15
September 30, 2016	0.32	0.20
June 30, 2016	0.26	0.11
March 31, 2016	0.16	0.06

The following table sets forth the high and low sales prices on the OTCQB for the common shares of the Company for each monthly period in the last six months.

Month Ended	High U.S.\$	Low U.S.\$
February 28, 2018	0.13	0.10
January 31, 2018	0.15	0.11
December 31, 2017	0.14	0.10
November 30, 2017	0.14	0.10
October 31, 2017	0.17	0.12
September 30, 2017	0.19	0.14

B. Plan of Distribution

Not applicable.

C. Markets

The Company's common shares trade on the TSX, under the trading symbol "CZN."

The Company's common shares are quoted in the United States on the OTCQB under the symbol "CZICF."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The Company was incorporated in British Columbia, Canada, on December 16, 1965, under the name "Pizza Patio Management Ltd." The Company changed its name to "San Andreas Resources Corporation" on August 29, 1991 and to "Canadian Zinc Corporation" on May 25, 1999. On June 16, 2004, the Company's shareholders adopted new Articles to bring its Charter documents up to date and into conformity with the new Business Corporations Act (British Columbia).

With respect to directors and officers, the Articles of the Company provide that a Director or officer who is a party to a material contract or proposed material contract with the Company shall disclose the nature and extent of his interest in accordance with the provisions of the Act and shall abstain from voting in respect thereof.

The Articles also provide that the Directors may from time to time borrow money on the credit of the Company; issue, reissue, sell or pledge debt obligations of the Company, whether secured or unsecured; give a guarantee on behalf of the Company; mortgage, hypothecate, pledge or otherwise create an interest in or charge on all or any property of the Company to secure payment of a debt or performance of any other obligation of the Company. Variation of these borrowing powers would require an amendment to the Articles of the Company which would, in turn, require the approval of the shareholders of the Company by way of a Special Resolution. A Special Resolution means a resolution cast by a majority of not less than three quarters of the votes cast by shareholders of the Company who, being entitled to do so, vote in person or by proxy at a general meeting of the Company of which notice as the Articles provide shall not be less than 21 days notice specifying the intention to propose the resolution as a special resolution, has been duly given (or, if every shareholder entitled to attend and vote at the meeting agrees, at a meeting of which less than 21 days notice has been given), or a resolution consented to in writing by every shareholder of the Company who would have been entitled to vote in person or by proxy at a general meeting of the Company, and a resolution so consented to is deemed to be a special resolution passed at a general meeting of the Company.

There is no requirement under the Articles of the Company or in the Act requiring retirement or non-retirement of directors under an age limit requirement, nor is there any minimum shareholding required for a director's qualification. Holders of common shares of the Company are entitled to vote at meetings of shareholders, and a Special Resolution, as described above, is required to effect a change in the rights of shareholders. Holders of common shares are not entitled to pre-emptive rights. Holders of common shares are entitled, ratably, to the remaining property of the Company upon liquidation, dissolution or winding up of the Company, and such holders receive dividends if, as, and when, declared by the directors of the Company. There are no restrictions on the purchase or redemption of common shares by the Company while there is an arrearage in the payment of dividends or sinking fund installments. There is no liability on the part of any shareholder to further capital calls by the Company nor any provision discriminating against any existing or prospective holder of securities of the Company as a result of such shareholder owning a substantial number of shares. There are no limitations on the rights to own securities, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by the Act or by the constating document of the Company.

The Company is required to give its registered shareholders not less than 21 days notice of any general meeting of the Company unless all such shareholders consent to reduce or waive the period. In addition, the Company is obliged to give notice to companies and intermediaries who hold shares on behalf of the ultimate beneficial owners no fewer than 35 or more than 60 days prior to the date of the meeting. The Company then delivers, in bulk, proxy-related materials in amounts specified by the intermediaries. No shares of the Company owned by companies or intermediaries may be voted at a general meeting of the Company unless all proxy-related materials are delivered to the ultimate beneficial owners of such shares. Such ultimate beneficial owner must then deliver a proxy to the Company within the time limited by the Company for the deposit of proxies in order to vote the shares in respect of which such person is the beneficial owner.

There is no provision in the Company's Articles that would have an effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company (or any of its subsidiaries).

Securities legislation in the Company's home jurisdiction of British Columbia requires that shareholder ownership must be disclosed once a person owns beneficially or has control or direction over greater than 10% of the issued

shares of the Company. This threshold is higher than the 5% threshold under U.S. Securities legislation at which shareholders must report their share ownership.

C. Material Contracts

Other than contracts entered into in the ordinary course of business and those disclosed elsewhere in this Annual Report, the Company has not entered into any material contracts within the past two years.

In December 2017, the Company entered into a credit agreement and an investor agreement with RCF VI. Pursuant to the credit agreement, RCF VI provided an interim non-convertible project bridge loan in the amount of US\$10 million. The project bridge loan bears an interest rate of 8%, payable quarterly and will mature on January 31, 2019. The loan is secured by a charge on the Company's assets and contains customary affirmative and negative covenants and events of default.

The Investor Agreement with RCF VI contains various rights granted to RCF VI, including among other things, participation rights in favor of RCF VI to maintain its pro rata shareholding interest in the Company for as long as it remains a significant shareholder; the right to nominate one member to the board of directors of the Company; and certain other project oversight rights.

D. Exchange Controls

There are no governmental laws, decrees or regulations in Canada relating restrictions on the export or import of capital, or affecting the remittance of interest, dividends or other payments to non-resident holders of the Company's common shares other than withholding tax requirements. (E.g., Remittances of dividends to United States residents are subject to a 15% withholding tax (10% if the shareholder is a corporation owning at least 10% of the common shares of the Company) pursuant to Article X of the reciprocal treaty between Canada and the United States.)

Except as provided in the Investment Canada Act ("**Investment Act**"), there are no provisions under the laws of Canada, the Province of British Columbia or in the Articles of the Company restricting the right of foreigners to hold or vote the common shares of the Company. The Investment Act provides for a review in the case of an acquisition of control of a Canadian business by a non-Canadian (other than a "NAFTA investor" as defined in the Investment Act), as described below. The Investment Act generally prohibits implementation of a reviewable investment by an individual, government, corporation, partnership, trust or joint venture that is non-Canadian unless the minister responsible for the Investment Act is satisfied that the investment is likely to be of net benefit to Canada.

In the case of the direct acquisition of control of a Canadian business, the threshold for review is \$600 million in enterprise value for investments by: (1) WTO investors that are not state-owned enterprises; and (2) non-WTO investors that are not state-owned enterprises where the Canadian business that is the subject of the investment is, immediately prior to the implementation of the investment, "controlled by a WTO investor". A WTO investor is a member of the World Trade Organization, current members of which include the European Union, Australia, Japan, Mexico, and the United States. The review threshold of \$600 million applies starting in 2015 and increases in subsequent years in accordance with the provisions of the Investment Act.

In the case of an acquisition of control of a Canadian business by a non-Canadian, other than a WTO investor, where: (i) in the case of acquisition (for example, through a share purchase or asset purchase), the assets of the business are \$5 million or more in value; or (ii) in the case of an indirect acquisition (for example, the acquisition of the foreign parent of the Canadian business) where the Canadian business has assets of \$50 million or more in value or if the Canadian business represents more than 50% of the assets of the original group and the Canadian business has assets of \$5 million or more in value. Review and approval are also required for the acquisition or establishment of a new business in areas concerning "Canada's cultural heritage or national identity" such as book publishing, film production and distribution, television and radio, production and distribution of music, and the oil and natural gas industry, regardless of the size of the investment.

The Investment Act would not apply to certain transactions in relation to common shares of the Company, including: an acquisition of common shares of the Company by any person made in the ordinary course of that person's business as a trader or dealer in securities; or an acquisition of control of the Company by an amalgamation, merger, consolidation or corporate reorganization following which the control of the Company, remains unchanged.

In the context of the Company, in essence, three methods of acquiring control of a Canadian business are regulated by the Investment Act: (i) the acquisition of all or substantially all of the assets used in carrying on the Canadian business; (ii) the acquisition, directly or indirectly, of voting shares of a Canadian corporation carrying on the Canadian business; (iii) the acquisition of voting of an entity which controls, directly or indirectly, another entity carrying on a Canadian business. An acquisition of a majority of the voting interests of an entity, including a corporation, is deemed to be an acquisition of control under the Investment Act. An acquisition of less than one-third of the voting shares of a corporation is deemed not to be an acquisition of control. An acquisition of less than a majority, but one-third or more, of the voting shares of a corporation is presumed to be an acquisition of control unless it can be established that on the acquisition the corporation is not, in fact, controlled by the acquirer through the ownership of voting shares. For partnerships, trusts, joint ventures or other unincorporated entities, an acquisition of less than a majority of the voting interests is deemed not to be an acquisition of control.

In addition to the foregoing, the Investment Act requires that all other acquisitions of control of Canadian businesses by non-Canadians are subject to formal notification to the Canadian government. These provisions require a foreign investor to give notice in the required form, which notices are for information, as opposed to review, purposes.

E. Taxation

Certain Canadian Federal Income Tax Consequences

The following summarizes the principal Canadian federal income tax consequences applicable to the holding and disposition of common shares in the capital of the Company by a holder who, for purposes of the *Income Tax Act* (Canada) (the "**Tax Act**") and the Canada United States Income Tax Convention, 1980, as amended (the "**Canada-U.S. Tax Convention**"), is resident in the United States, beneficially holds the common shares as capital property and does not use or hold the common shares in the course of carrying on a business in Canada (a "**U.S. Holder**"). The common shares will generally be considered to be capital property unless the U.S. Holder holds the common shares in the course of carrying on a business, or acquires the common shares in a transaction or transactions considered to be an adventure in the nature of trade.

This summary is based on the current provisions of the Tax Act, the regulations thereunder, all amendments thereto publicly proposed by the government of Canada, the published administrative practices of the Canada Revenue Agency and the current provisions of the Canada-U.S. Tax Convention. This summary does not otherwise take into account or anticipate any changes in law, whether by way of legislative, judicial or administrative action or interpretation, nor does it address any provincial, territorial or foreign (including without limitation, any United States) tax considerations.

This summary is of a general nature only and it is not intended to be, nor should it be construed to be, legal or tax advice to any particular U.S. Holder. Accordingly, U.S. Holders are urged to consult with their own tax advisors about the specific tax consequences of acquiring, holding and disposing of common shares.

Dividends:

A U.S. Holder will be liable to pay a Canadian withholding tax on every dividend that is or is deemed to be paid or credited to the U.S. Holder on the U.S. Holder's common shares. The rate of withholding tax under the Tax Act is 25% of the gross amount of the dividend paid. However, the Canada-U.S. Tax Convention will reduce that withholding tax rate, provided the U.S. Holder is eligible for benefits under the Canada-U.S. Tax Convention. Where applicable, the general rate of withholding tax under the Canada-U.S. Tax Convention will be 15% of the gross amount of the dividend, but if the U.S. Holder is a company that owns at least 10% of the voting stock of the Company, the rate of withholding tax will be reduced to 5%. The Company will be required to withhold the

applicable tax from the dividend payable to the U.S. Holder, and to remit that tax to the Receiver General for Canada on account of the U. S. Holder. Not all persons who are residents of the United States will qualify for benefits under the Canada-U.S. Tax Convention. U.S. Holders are advised to consult their own tax advisors in this regard.

Where a holder disposes of common shares to the Company (unless the Company acquired the common shares in the open market in the manner in which shares would normally be purchased by any member of the public), this will result in a deemed dividend to the U.S. holder equal to the amount by which the consideration paid by the Company exceeds the paid-up capital of such stock. The amount of such dividend will be subject to withholding tax as described above.

Disposition of Common Shares and Capital Gains:

A U.S. Holder will generally not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a common share, unless the common share constitutes “taxable Canadian property” to the U.S. Holder for purposes of the Tax Act. Provided that the common shares are listed on a “designated stock exchange” for purposes of the Tax Act (which includes the TSX) at the time of disposition, the common shares will generally not constitute “taxable Canadian property” to a U.S. Holder unless, at any time during the 60-month period immediately preceding the disposition (i) the U.S. Holder, together with persons with whom the U.S. Holder does not deal at “arm’s length” for the purposes of the Tax Act, owned 25% or more of the issued shares of any class of shares of the Company and (ii) more than 50% of the fair market value of the common shares was derived directly or indirectly from one or a combination of real or immovable property situated in Canada, “Canadian resource properties” or “timber resource properties” (as such terms are defined in the Tax Act), or options or interests in respect of any such properties.

Provided the common shares are listed at the time of disposition on the TSX or other “recognized stock exchange” (which includes the TSX) for purposes of the Tax Act, a U.S. Holder who disposes of common shares will not be required to satisfy the obligations imposed under Section 116 of the Tax Act and, as such, the purchaser of such shares will not be required to withhold any amount on the purchase price paid and the US Holder will not have to apply to obtain a certificate of compliance related to the disposition of the common shares.

U.S. Holders whose common shares may constitute “taxable Canadian property” should consult their own tax advisors.

Certain United States Federal Income Tax Consequences:

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership and disposition of common shares.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder arising from and relating to the acquisition, ownership, and disposition of common shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including, without limitation, specific tax consequences to a U.S. Holder under an applicable income tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. This summary does not address the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences to U.S. Holders of the acquisition, ownership, and disposition of common shares. In addition, except as specifically set forth below, this summary does not discuss applicable tax reporting requirements. Each prospective U.S. Holder should consult its own tax advisors regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership and disposition of common shares.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the “IRS”) has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares. This summary is not binding on the IRS, and the IRS is not precluded from

taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the conclusions described in this summary.

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the “**Code**”), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Canada U.S. Tax Convention, and U.S. court decisions that are applicable, and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied retroactively. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation.

U.S. Holders

For purposes of this summary, the term “U.S. Holder” means a beneficial owner of common shares that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders that: (a) are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) have a “functional currency” other than the U.S. dollar; (e) own common shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) acquire common shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) hold common shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); or (h) own, have owned or will own (directly, indirectly, or by attribution) 10% or more of the total combined voting power or value of the outstanding shares of the Company. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are: (a) U.S. expatriates or former long-term residents of the U.S.; (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Income Tax Act (Canada) (the “Tax Act”); (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold common shares in connection with carrying on a business in Canada; (d) persons whose common shares constitute “taxable Canadian property” under the Tax Act; or (e) persons that have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention. U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership and disposition of common shares.

If an entity or arrangement that is classified as a partnership (or other “pass-through” entity) for U.S. federal income tax purposes holds common shares, the U.S. federal income tax consequences to such entity or arrangement and the partners (or other owners or participants) of such entity or arrangement generally will depend on the activities of the entity or arrangement and the status of such partners (or owners or participants). This summary does not

address the tax consequences to any such partner (or owner or participants). Partners (or other owners or participants) of entities or arrangements that are classified as partnerships or as “pass-through” entities for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership and disposition of common shares.

Passive Foreign Investment Company Rules

PFIC Status of the Company

If the Company were to constitute a “passive foreign investment company” under the meaning of Section 1297 of the Code (a “PFIC”, as defined below) for any year during a U.S. Holder’s holding period, then certain potentially adverse rules may affect the U.S. federal income tax consequences to a U.S. Holder as a result of the acquisition, ownership and disposition of common shares. The Company believes that it was classified as a PFIC for the tax year ended December 31, 2017, and based on current business plans and financial expectations, the Company anticipates that it may be a PFIC for its current tax year and subsequent tax years. No opinion of legal counsel or ruling from the IRS concerning the status of the Company as a PFIC has been obtained or is currently planned to be requested. The determination of whether any corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether any corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this document. Accordingly, there can be no assurance that the IRS will not challenge any determination made by the Company (or any subsidiary of the Company) concerning its PFIC status. Each U.S. Holder should consult its own tax advisors regarding the PFIC status of the Company and each subsidiary of the Company.

In any year in which the Company is classified as a PFIC, a U.S. Holder will be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. In addition to penalties, a failure to satisfy such reporting requirements may result in an extension of the time period during which the IRS can assess a tax. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file an IRS Form 8621.

The Company generally will be a PFIC if, for a tax year, (a) 75% or more of the gross income of the Company is passive income (the “PFIC income test”) or (b) 50% or more of the value of the Company’s assets either produce passive income or are held for the production of passive income, based on the quarterly average of the fair market value of such assets (the “PFIC asset test”). “Gross income” generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and “passive income” generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions.

For purposes of the PFIC income test and PFIC asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and PFIC asset test described above, and assuming certain other requirements are met, “passive income” does not include certain interest, dividends, rents, or royalties that are received or accrued by the Company from certain “related persons” (as defined in Section 954(d)(3) of the Code) also organized in Canada, to the extent such items are properly allocable to the income of such related person that is not passive income.

Under certain attribution rules, if the Company is a PFIC, U.S. Holders will generally be deemed to own their proportionate share of the Company’s direct or indirect equity interest in any company that is also a PFIC (a “Subsidiary PFIC”), and will generally be subject to U.S. federal income tax on their proportionate share of (a) any “excess distributions,” as described below, on the stock of a Subsidiary PFIC and (b) a disposition or deemed disposition of the stock of a Subsidiary PFIC by the Company or another Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC. In addition, U.S. Holders may be subject to U.S. federal income tax on any indirect gain realized on the stock of a Subsidiary PFIC on the sale or disposition of common shares. Accordingly, U.S. Holders should be aware that they could be subject to tax under the PFIC rules even if no distributions are received and no redemptions or other dispositions of common shares are made.

Default PFIC Rules Under Section 1291 of the Code

If the Company is a PFIC for any tax year during which a U.S. Holder owns common shares, the U.S. federal income tax consequences to such U.S. Holder of the acquisition, ownership, and disposition of common shares will depend on whether and when such U.S. Holder makes an election to treat the Company and each Subsidiary PFIC, if any, as a “qualified electing fund” or “QEF” under Section 1295 of the Code (a “QEF Election”) or makes a mark-to-market election under Section 1296 of the Code (a “Mark-to-Market Election”). A U.S. Holder that does not make either a QEF Election or a Mark-to-Market Election will be referred to in this summary as a “Non-Electing U.S. Holder.”

A Non-Electing U.S. Holder will be subject to the rules of Section 1291 of the Code (described below) with respect to (a) any gain recognized on the sale or other taxable disposition of common shares and (b) any “excess distribution” received on the common shares. A distribution generally will be an “excess distribution” to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder’s holding period for the common shares, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of common shares (including an indirect disposition of the stock of any Subsidiary PFIC), and any “excess distribution” received on common shares or with respect to the stock of a Subsidiary PFIC, must be ratably allocated to each day in a Non-Electing U.S. Holder’s holding period for the respective common shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the entity became a PFIC, if any, would be taxed as ordinary income (and not eligible for certain preferred rates). The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such year, and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such year. A Non-Electing U.S. Holder that is not a corporation must treat any such interest paid as “personal interest,” which is not deductible.

If the Company is a PFIC for any tax year during which a Non-Electing U.S. Holder holds common shares, the Company will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether the Company ceases to be a PFIC in one or more subsequent tax years. A Non-Electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above), but not loss, as if such common shares were sold on the last day of the last tax year for which the Company was a PFIC.

QEF Election

A U.S. Holder that makes a timely and effective QEF Election for the first tax year in which the holding period of its common shares begins generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to its common shares. A U.S. Holder that makes a timely and effective QEF Election will be subject to U.S. federal income tax on such U.S. Holder’s pro rata share of (a) the net capital gain of the Company, which will be taxed as long-term capital gain to such U.S. Holder, and (b) the ordinary earnings of the Company, which will be taxed as ordinary income to such U.S. Holder. Generally, “net capital gain” is the excess of (a) net long-term capital gain over (b) net short-term capital loss, and “ordinary earnings” are the excess of (a) “earnings and profits” over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which the Company is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder by the Company. However, for any tax year in which the Company is a PFIC and has no net income or gain, U.S. Holders that have made a QEF Election would not have any income inclusions as a result of the QEF Election. If a U.S. Holder that made a QEF Election has an income inclusion, such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as “personal interest,” which is not deductible.

A U.S. Holder that makes a timely and effective QEF Election with respect to the Company generally (a) may receive a tax-free distribution from the Company to the extent that such distribution represents “earnings and profits” of the Company that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder’s tax basis in the common shares to reflect the amount included in income or

allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of common shares.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as “timely” if such QEF Election is made for the first year in the U.S. Holder’s holding period for the common shares in which the Company was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year. If a U.S. Holder does not make a timely and effective QEF Election for the first year in the U.S. Holder’s holding period for the common shares, the U.S. Holder may still be able to make a timely and effective QEF Election in a subsequent year if such U.S. Holder meets certain requirements and makes a “purging” election to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such common shares were sold for their fair market value on the day the QEF Election is effective. If a U.S. Holder makes a QEF Election but does not make a “purging” election to recognize gain as discussed in the preceding sentence, then such U.S. Holder shall be subject to the QEF Election rules and shall continue to be subject to tax under the rules of Section 1291 discussed above with respect to its common shares. If a U.S. Holder owns PFIC stock indirectly through another PFIC, separate QEF Elections must be made for the PFIC in which the U.S. Holder is a direct shareholder and the Subsidiary PFIC for the QEF rules to apply to both PFICs.

A QEF Election will apply to the tax year for which such QEF Election is timely made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent tax year, the Company ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which the Company is not a PFIC. Accordingly, if the Company becomes a PFIC in another subsequent tax year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during any subsequent tax year in which the Company qualifies as a PFIC.

U.S. Holders should be aware that there can be no assurances that the Company will satisfy the record keeping requirements that apply to a QEF, or that the Company will supply U.S. Holders with information that such U.S. Holders are required to report under the QEF rules, in the event that the Company is a PFIC. Thus, U.S. Holders may not be able to make a QEF Election with respect to their common shares. Each U.S. Holder should consult its own tax advisors regarding the availability of, and procedure for making, a QEF Election.

A U.S. Holder makes a QEF Election by attaching a completed IRS Form 8621, including a PFIC Annual Information Statement, to a timely filed United States federal income tax return. However, if the Company does not provide the required information with regard to the Company or any of its Subsidiary PFICs, U.S. Holders will not be able to make a QEF Election for such entity and will continue to be subject to the rules of Section 1291 of the Code discussed above that apply to Non-Electing U.S. Holders with respect to the taxation of gains and excess distributions.

Mark-to-Market Election

A U.S. Holder may make a Mark-to-Market Election only if the common shares are marketable stock. The common shares generally will be “marketable stock” if the common shares are regularly traded on (a) a national securities exchange that is registered with the Securities and Exchange Commission, (b) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934, or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure, and surveillance requirements, and meets other requirements and the laws of the country in which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced and (ii) the rules of such foreign exchange effectively promote active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be “regularly traded” for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Provided that the common shares are “regularly traded” as described in the preceding sentence, the common shares are expected to be marketable stock. However, each U.S. Holder should consult its own tax advisor in this regard.

A U.S. Holder that makes a Mark-to-Market Election with respect to its common shares generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to such common shares. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder's holding period for the common shares for which the Company is a PFIC and such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, the common shares.

A U.S. Holder that makes a Mark-to-Market Election will include in ordinary income, for each tax year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the common shares, as of the close of such tax year over (b) such U.S. Holder's adjusted tax basis in such common shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (a) such U.S. Holder's adjusted tax basis in the common shares, over (b) the fair market value of such common shares (but only to the extent of the net amount of previously included income as a result of the Mark-to-Market Election for prior tax years).

A U.S. Holder that makes a Mark-to-Market Election generally also will adjust such U.S. Holder's tax basis in the common shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of common shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or ordinary loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years). Losses that exceed this limitation are subject to the rules generally applicable to losses provided in the Code and Treasury Regulations.

A U.S. Holder makes a Mark-to-Market Election by attaching a completed IRS Form 8621 to a timely filed United States federal income tax return. A Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless the common shares cease to be "marketable stock" or the IRS consents to revocation of such election. Each U.S. Holder should consult its own tax advisors regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to the common shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning, because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to avoid the application of the default rules of Section 1291 of the Code described above with respect to deemed dispositions of Subsidiary PFIC stock or excess distributions from a Subsidiary PFIC to its shareholder.

Other PFIC Rules

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of common shares that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which common shares are transferred.

Certain additional adverse rules may apply with respect to a U.S. Holder if the Company is a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example, under Section 1298(b)(6) of the Code, a U.S. Holder that uses common shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such common shares.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to such special rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complicated, and a U.S. Holder should consult with its own tax advisors regarding the availability of the foreign tax credit with respect to distributions by a PFIC.

The PFIC rules are complex, and each U.S. Holder should consult its own tax advisors regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares.

General Rules Applicable to the Ownership and Disposition of Common Shares

The following discussion describes the general rules applicable to the ownership and disposition of the common shares but is subject in its entirety to the special rules described above under the heading “Passive Foreign Investment Company Rules.”

Distributions on Common Shares

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a common share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current and accumulated “earnings and profits” of the Company, as computed for U.S. federal income tax purposes. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates if the Company is a PFIC for the tax year of such distribution or the preceding tax year. To the extent that a distribution exceeds the current and accumulated “earnings and profits” of the Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the common shares and thereafter as gain from the sale or exchange of such common shares. (See “Sale or Other Taxable Disposition of Common Shares” below). However, the Company may not maintain the calculations of its earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder may have to assume that any distribution by the Company with respect to the common shares will constitute ordinary dividend income. Dividends received on common shares by corporate U.S. Holders generally will not be eligible for the “dividends received deduction.” Subject to applicable limitations and provided the Company is eligible for the benefits of the Canada-U.S. Tax Convention, dividends paid by the Company to non-corporate U.S. Holders, including individuals, generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that the Company not be classified as a PFIC in the tax year of distribution or in the preceding tax year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisors regarding the application of such rules.

Sale or Other Taxable Disposition of Common Shares

Upon the sale or other taxable disposition of common shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the U.S. dollar value of cash received plus the fair market value of any property received and such U.S. Holder's tax basis in such common shares sold or otherwise disposed of. A U.S. Holder's tax basis in common shares generally will be such holder's U.S. dollar cost for such common shares. Gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the common shares have been held for more than one year.

Preferential tax rates currently apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Additional Considerations

Additional Tax on Passive Income

Certain U.S. Holders that are individuals, estates or trusts (other than trusts that are exempt from tax) will be subject to a 3.8% tax on all or a portion of their “net investment income,” which includes dividends on the common shares and net gains from the disposition of the common shares. Further, excess distributions treated as dividends, gains treated as excess distributions under the PFIC rules discussed above, and mark-to-market inclusions and deductions are all included in the calculation of net investment income.

Treasury Regulations provide, subject to the election described in the following paragraph, that solely for purposes of this additional tax, that distributions of previously taxed income will be treated as dividends and included in net

investment income subject to the additional 3.8% tax. Additionally, to determine the amount of any capital gain from the sale or other taxable disposition of common shares that will be subject to the additional tax on net investment income, a U.S. Holder who has made a QEF Election will be required to recalculate its basis in the common shares excluding QEF basis adjustments.

Alternatively, a U.S. Holder may make an election which will be effective with respect to all interests in controlled foreign corporations and QEFs held in that year or acquired in future years. Under this election, a U.S. Holder pays the additional 3.8% tax on QEF income inclusions and on gains calculated after giving effect to related tax basis adjustments. U.S. Holders that are individuals, estates or trusts should consult their own tax advisors regarding the applicability of this tax to any of their income or gains in respect of the common shares.

Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or on the sale, exchange or other taxable disposition of common shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the common shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income that is subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." Generally, dividends paid by a foreign corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a foreign corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. However, the amount of a distribution with respect to the common shares that is treated as a "dividend" may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisors regarding the foreign tax credit rules.

Backup Withholding and Information Reporting

Under U.S. federal income tax law, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of certain thresholds. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their common shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S.

Holders should consult with their own tax advisors regarding the requirements of filing information returns, including the requirement to file an IRS Form 8938.

Payments made within the U.S., or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from the sale or other taxable disposition of, common shares will generally be subject to information reporting and backup withholding tax, at the rate of 24%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner.

The discussion of reporting requirements set forth above is not intended to constitute a complete description of all reporting requirements that may apply to a U.S. Holder. A failure to satisfy certain reporting requirements may result in an extension of the time period during which the IRS can assess a tax and, under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirement. Each U.S. Holder should consult its own tax advisors regarding the information reporting and backup withholding rules.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO U.S. HOLDERS WITH RESPECT TO THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF COMMON SHARES. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSIDERATIONS APPLICABLE TO THEM IN THEIR OWN PARTICULAR CIRCUMSTANCES

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

Not applicable.

H. Documents on Display

For further information with respect to the Company, you are referred to the filings the Company has made with the SEC. Statements contained in this Annual Report concerning the contents of any contract, or any other document, are not necessarily complete. If a contract or document has been filed as an exhibit to any filing the Company has made with the SEC, you are referred to the copy of the contract or document that has been filed. Each statement in this Annual Report relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The Company is subject to certain of the informational requirements of the Securities Exchange Act of 1934 and, in accordance with the Exchange Act, files reports and other information with the SEC. The Company's registration statements, including the exhibits and schedules thereto, and such reports and other information, can be inspected and copied at the following public reference facility maintained by the SEC:

100 F Street, N.W. Room 1580
Washington, DC 20549

Copies of these materials can also be obtained by mail at prescribed rates. You may also call the SEC at 1-800-SEC-0330. The SEC maintains a website that contains registration statements, reports and other information regarding registrants that file electronically with the SEC at <http://www.sec.gov>.

I. Subsidiary Information

See Item 4.C for information regarding the Company's subsidiaries.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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 other long-term assets 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.

Categories of financial instruments

		December 31, 2017	December 31, 2016
Cash and cash equivalents	FVTPL	\$ 12,979	\$ 9,817
Short-term investments	FVTPL	31	28
Other receivables	Loans and receivables	379	199
Restricted cash	FVTPL	2,075	2,075
Accounts payable	Other financial liabilities	(1,258)	(328)
Accrued and other liabilities	Other financial liabilities	(389)	(473)
Loan payable	Other financial liabilities	(12,417)	-

All financial instruments classified as FVTPL are classified under the Level 1 fair value hierarchy. The carrying value of the Company's financial assets and liabilities reasonably approximate their fair values.

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, 2017, is investment income on the Company's cash and cash equivalents and short-term investments. As at December 31, 2017, with other variables unchanged, a 1% increase or decrease in the Prime rate would have resulted in a decrease or increase, respectively, to net loss of approximately \$68,000. The Company does not have any debt obligations which expose it to interest rate risk.

The Company's loan payable (see Note 9 of the Financial Statements) is denominated in U.S. dollars. As at December 31, 2017, with other variables unchanged, for every \$0.01 fluctuation in exchange rate between the Canadian dollar and the U.S. dollar, the Company's net income or loss would be \$154,000 higher or lower.

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 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 and restricted cash. The carrying value of these financial assets at December 31, 2017 is \$15,085,000 (December 31, 2016 - \$11,920,000). At December 31, 2017, the Company's cash and cash equivalents, short-term investments and restricted cash were invested with two Canadian 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 and receivables. As at December 31, 2017, the Company had positive working capital of \$11,791,000 (December 31, 2015 - \$9,513,000). In December 2017, The Company entered into a financing agreement with Resource Capital Fund VI L.P. for an interim non-convertible project loan in the amount of US\$10 million which is repayable on or before January 31, 2019. Additional financing will be required to continue the development of the Prairie Creek Project, refinance or renew the loan payable when it becomes due in January 2019, and 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. Additional financing will be required term to continue the development of the Prairie Creek Project, refinance or renew the loan payable when it become due in January 2019, and 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 pursuing various opportunities and seeking additional sources of financing. This is discussed in more detail in the "Risk Factors" section of the Company's MD&A.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARS AND DELINQUENCIES

There has not been a material default in the payment of principal, interest, a sinking or purchase fund installment, or any other material default not cured within thirty days, relating to indebtedness of the Company or any of its significant subsidiaries. There are no payments of dividends by the Company in arrears, nor has there been any other material delinquency relating to any class of preference shares of the Company.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A to D.

None.

E. Use of Proceeds

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. 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 CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

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 defined in Rule 13a-15(e) of the Exchange Act) as of December 31, 2017, 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.

B. 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 as defined in the US Exchange Act 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 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, 2017, 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.

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.

C. Attestation Report of Registered Public Accounting Firm

This annual report on Form 20-F does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Under the Jumpstart Our Business & Startups Act ("JOBS Act"), emerging growth companies are exempt from Section 404(b) of the Sarbanes-Oxley Act, which generally requires public companies to provide an independent auditor attestation of management's assessment of the effectiveness of their internal control over financial reporting. The Company qualifies as an emerging growth company under the JOBS Act and is a non-accelerated filer and therefore has not included an independent auditor attestation of management's assessment of the effectiveness of its internal control over financial reporting.

D. Changes in Internal Control Over Financial Reporting

Based upon their evaluation of the Company's internal control over financial reporting, the Company's CEO and CFO have concluded that, there were no significant changes in the Company's internal control over financial reporting or in other factors during the company's last fiscal year that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Board has determined that at least one member of the Company's Audit Committee, John Warwick, an independent director of the Company pursuant to the criteria set out in the NYSE MKT Company Guide, possesses the educational and professional qualifications as well as the experience to qualify as an "Audit Committee Financial Expert" as defined in Item 16A of Form 20-F. In addition, the Company believes that the other members of the Audit Committee are capable of analyzing and evaluating the financial statements and understanding internal controls and procedures for financial reporting.

ITEM 16B. CODE OF ETHICS

The Company has adopted a Code of Business Conduct and Ethics that applies to all directors, senior officers and employees of the Company.

Shareholders may request a copy of the Code of Ethics by written request directed to Canadian Zinc Corporation, Suite 1710, 650 West Georgia Street, PO Box 11644, Vancouver, British Columbia, Canada V6B 4N9 or by reference to the Company's website – www.canadianzinc.com.

There have been no waivers or amendments to the Code of Ethics during the year ended December 31, 2017.

ITEM 16C. PRINCIPAL ACCOUNTANT AND FEES AND SERVICES

The aggregate amounts billed by the Company's principal auditors for the two fiscal years ended December 31, 2017 for audit fees, audit related fees, tax fees and all other fees are set forth below:

	Year Ended December 31, 2017 ⁽⁴⁾	Year Ended December 31, 2016
Audit Fees ⁽¹⁾	\$76,500	\$148,000
Audit-Related Fees ⁽²⁾	-	-
Tax Fees ⁽³⁾	-	1,500
All Other Fees	-	-
Total	\$76,500	\$149,500

⁽¹⁾ "Audit Fees" represent fees for the audit of the annual consolidated financial statements, and review in connection with the statutory and regulatory filings.

⁽²⁾ "Audit Related Fees" represent fees for assurance and related services that are related to the performance of the audit.

⁽³⁾ "Tax Fees" represent fees for tax compliance, tax advice and planning.

⁽⁴⁾ Fees for the year ended December 31, 2017, are based, in part, upon estimates received by Canadian Zinc as final invoices are yet to be rendered as of the date of this Annual Report.

ITEM 16D. EXEMPTIONS FROM THE LISTINGS STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANTS'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Not applicable.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

See Financial Statements and Exhibits listed in Item 19 hereof and filed as part of this Annual Report.

ITEM 19. EXHIBITS

Financial Statements

F-1 **[Audit Report]**

F-2 **[Financial Statements]**

Exhibit Number	Description of Document
1.1	Notice of Articles (of Incorporation) ⁽¹⁾
1.2	Articles (Bylaws) ⁽²⁾
4.1	Form of Option Agreement (Senior Officers) dated October 15, 2007 to acquire common shares under the Company's Stock Option Plan. ⁽³⁾
4.2	Form of Option Agreement (Directors and Senior Officers) dated March 27, 2009 to acquire common shares under the Company's Stock Option Plan. ⁽⁴⁾
4.3	Employment Agreement between the Company and Alan Taylor dated January 1, 2010. ⁽⁵⁾
4.4	Employment Agreement between the Company and Trevor Cunningham dated January 17, 2011. ⁽⁶⁾
4.5	2012 Fixed Stock Option Plan. ⁽⁷⁾
4.6	2014 Non-Employee Directors Deferred Share Unit Plan. ⁽⁸⁾
4.7	2014 Restricted Share Unit Plan. ⁽⁹⁾
4.8	Base Metal and Precious Metal Net Smelter Returns Royalties Agreement dated May 31, 2013. ⁽¹⁰⁾
4.9	Underwriting Agreement dated June 16, 2016 as amended and restated as of June 28, 2016
4.10	Credit Agreement dated December 22, 2017
4.11	Investor Agreement dated December 22, 2017
12.1	Certification of President pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
12.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
13.1	Certification of President Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to 906 of the Sarbanes-Oxley Act of 2002.

(1) Previously filed as exhibit 1.A to the Company's 20-F annual report filed on July 26, 2005.

(2) Previously filed as exhibit 1.B to the Company's 20-F annual report filed on July 26, 2005.

(3) Previously filed as exhibit 4.5 to the Company's 20-F annual report filed on April 11, 2008.

(4) Previously filed as exhibit 4.6 to the Company's 20-F annual report filed on May 27, 2009.

(5) Previously filed as exhibit 4.7 to the Company's 20-F annual report filed on May 13, 2010.

(6) Previously filed as exhibit 4.8 to the Company's 20-F annual report filed on May 2, 2011.

(7) Previously filed as exhibit 4.5 to the Company's 20-F annual report filed on April 30, 2015.

(8) Previously filed as exhibit 4.6 to the Company's 20-F annual report filed on April 30, 2015.

(9) Previously filed as exhibit 4.7 to the Company's 20-F annual report filed on April 30, 2015.

(10) Previously filed as exhibit 4.9 to the Company's 20-F annual report filed on April 30, 2015.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing this Annual Report on Form 20-F and it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

Dated at Vancouver, British Columbia, this 28th day of March, 2018.

CANADIAN ZINC CORPORATION

"John F. Kearney"

Per: (signed) John F. Kearney

Title: President, Chief Executive Officer & Director

RULE 13a-14(a) CEO CERTIFICATION

I, John Kearney, certify that:

1. I have reviewed this Annual Report on Form 20-F of Canadian Zinc Corporation (the “**Company**”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the Annual Report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: March 28, 2018

By: /s/ John F. Kearney

John F. Kearney

President and Chief Executive Officer

RULE 13a-14(a) CFO CERTIFICATION

I, Trevor Cunningham, certify that:

1. I have reviewed this Annual Report on Form 20-F of Canadian Zinc Corporation (the “**Company**”);
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the Annual Report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: March 28, 2018

By: /s/ Trevor L. Cunningham
Trevor L. Cunningham, CPA, CMA
Vice President, Finance and Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report of Canadian Zinc Corporation (the “**Company**”) on Form 20-F for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “**Report**”), I, John Kearney, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2018

By: /s/ John F. Kearney

John F. Kearney
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report of Canadian Zinc Corporation (the “**Company**”) on Form 20-F for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “**Report**”), I, Trevor Cunningham, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2018

By: /s/ Trevor L. Cunningham

Trevor L. Cunningham, CPA, CMA
Vice President, Finance and Chief
Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.