

**CANADA ZINC METALS CORP.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

September 30, 2013

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## 1.1 Date

This Management Discussion and Analysis (“MD&A”) of Canada Zinc Metals Corp. (“Canada Zinc Metals” or the “Company”) has been prepared by management as of November 28, 2013 and should be read in conjunction with the condensed consolidated interim financial statements and related notes thereto of the Company for the three months ended September 30, 2013 and 2012, and the consolidated audited financial statements and related notes thereto of the Company for the years ended June 30, 2013 and 2012, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”).

The Company is presently a “Venture Issuer”, as defined in NI 51-102.

This MD&A may contain “forward-looking statements” which reflect the Company’s current expectations regarding the future results of operations, performance and achievements of the issuer, including potential business or mineral property acquisitions and negotiation and closing of future financings. The issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as “anticipate,” “believe,” “estimate,” “expect” and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

## 1.2 Overall Performance

The Company was incorporated under the laws of the Province of British Columbia on February 10, 1988. The Company operates in one business segment, that being the exploration and development of mineral properties in Canada. As at the date hereof, the Company has mining interests in properties located in British Columbia.

Significant events and operating highlights for the three months ended September 30, 2013 and up to the date of these MD&A :

- The Company completed nine drill holes totaling 4,854 metres on the Akie property and collected over 1,350 drill samples including QA/QC samples. Drill results have now been received for the six drill holes of 2013 program, and detailed analysis is included in 2013 Diamond Drilling Program section below.
- The Company followed up with an additional 2,795 line kilometers of airborne Versatile Time Domain EM (VTEM) geophysical coverage. The 2013 survey was flown with nominal 200 metre line spacing over the remaining properties on the Company’s Kechika Regional project.
- The Company entered into an option agreement (the “Agreement”) with Teck Resources Limited (“Teck” TSX: TCK.B) that would see Teck acquire up to a 70% interest in the Pie, Cirque East and the Yuen properties. The transaction was approved by the TSX Venture Exchange as announced by the Company on September 17, 2013.
- Teck had the right under the Agreement to assign its rights to a 50/50 joint venture between Teck and Korea Zinc (“T-KZ JV”). The Company received a Notice of Participation by Korea Zinc Co., Ltd (“Korea Zinc”) in the Agreement.

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- In conjunction with the Agreement, the Company completed a private placement with Teck for 1,250,000 units of Canada Zinc Metals at a price per unit of \$0.40 per unit, resulting in a total subscription of \$500,000. Each unit consists of one common share and one share purchase warrant that will entitle Teck to purchase one additional common share of Canada Zinc Metals within 24 months at a price of \$0.40 per share.
- The Company received a 3-Year extension to its Akie Underground Exploration Permit to December 2017. The original underground exploration permit had an expiry date of December 2014. The approval was received from the BC Ministry of Energy and Mines and will allow the Company time to execute the planned underground drill program over the next several years without the need for a permit revision or amendment.
- The Company formally signed a tripartite Exploration Cooperation and Benefit Agreement with the Kwadacha First Nation and the Tsay Keh Dene First Nation. The agreement covers all exploration and related activities on the Akie property which is a shared area within the respective traditional lands of the Tsay Keh Dene and Kwadacha First Nations, the two communities closest to the Akie property. The general purpose of the agreement is to enhance understanding and cooperation between the First Nations and the Company regarding the exploration programs and contribute to the programs' overall success. The agreement is also designed to mitigate any effects of the exploration programs on the traditional lands of the First Nations and foster a relationship based on mutual respect, trust, mutual benefit and certainty for all parties.
- The Company completed hydrogeochemistry sampling programs on several properties including Akie, Pie, Mt. Alcock, Yuen, Weiss and Kwad. In total, over 285 samples were collected from primary, secondary and select tertiary creeks and streams and analyzed for sulphate and metal concentrations at Acme Analytical Labs Ltd. of Vancouver, British Columbia. Colourimetry was performed at Maxxam Analytical Labs in Burnaby, BC, Canada.
- Targeted ground exploration was completed in the 2013 season, including mapping, prospecting and the collection and analysis of over 2,400 soil samples. Geological mapping and prospecting was completed on several select targets on the Akie property; as well as several promising areas on the Weiss, Kwad and Mt. Alcock properties. A total of approximately 24 km<sup>2</sup> of area has been systematically evaluated in the West GPS area and on the Eastern Akie panel. Soil samples were taken from four separate soil grids on the Akie property (covering an aggregate of 24 km<sup>2</sup>) and from two soil grids on the Mt. Alcock property (covering an aggregate of 5 km<sup>2</sup>).
- Prospecting and mapping discovered the Sitka showing, a vein or fault structure hosting massive barite and abundant coarse grained galena and sphalerite that measures at least 6.0 metres wide at surface. A secondary parallel structure is located 10 metres to the northeast and measures approximately 3.0 metres wide. The discovery of SEDEX style mineralization in this locale will provide impetus for more focused exploration on the largely under-explored eastern half of the Akie property. Results from mapping and surface channel sampling at Sitka are encouraging and the Company is assessing the significance of the data in a regional context to better define potential drill targets.

## **AKIE PROPERTY, KECHIKA TROUGH DISTRICT, BC (zinc, lead, silver)**

The Company holds a 100% interest in the Akie Property, which is located approximately 260 kilometers north-northwest of the town of Mackenzie in northeastern British Columbia.

The Akie zinc-lead-silver property is situated within the Kechika Trough, the southernmost extension of the regionally extensive Paleozoic Selwyn Basin, one of the most prolific sedimentary basins in the world for the occurrence of SEDEX zinc-lead-silver and stratiform barite deposits.

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Drilling on the Akie property by Inmet Mining Corporation during the period 1994 to 1996 and by Canada Zinc Metals since 2005 has identified a significant body of zinc-lead-silver sedimentary exhalative (SEDEX) mineralization named the Cardiac Creek deposit. The deposit is hosted by variably siliceous, fine grained clastic rocks of the middle to late Devonian Gunsteel Formation, the same host formation for other known deposits in the district, including Teck Resources/Korea Zinc's Cirque deposit, located about 20 kilometres to the northwest.

In the spring of 2012, the Company re-engaged Rob Sim, P. Geo., to evaluate, calculate and produce an updated 43-101 compliant resource for the Cardiac Creek deposit. Robert Sim is an independent consultant and served as the Qualified Person responsible for the preparation of the 2012 NI 43-101 Technical Report on the Akie Project and is responsible for the 2008 and 2012 mineral resource estimates for the Cardiac Creek deposit.

The technical report, entitled "NI 43-101 Technical Report Akie Zinc-Lead-Silver Project, British Columbia, Canada" and dated March 14, 2012, can be found on SEDAR ([www.sedar.com](http://www.sedar.com)). The report updated the work done by the Company since May of 2008, the date of the previous 43-101 compliant resource calculation. The new resource builds on surface diamond drilling completed by the Company during the period mid-2008 to the end of 2011 and establishes the Cardiac Creek deposit as one of the premier undeveloped zinc-rich base metal projects in the world.

## **2013 Diamond Drilling Program**

The Company completed 9 HQ/NQ drill holes totaling 4,854 metres on the Akie property this season. The drilling program progressed in a sequential manner with two holes targeting the West Akie GPS Zone; followed by one hole each on the North Lead Anomaly and the South Zinc Anomaly. The program then shifted to the Cardiac Creek deposit for 4 drill holes totaling 2,350 metres. The final hole of the season was completed on the SE Zone located approximately 2.5 kilometres to the southeast and along strike of the Cardiac Creek deposit.

A total of 1,369 core samples, including QA/QC samples, have been cut and sent to Acme Analytical Laboratories in Vancouver, BC, Canada. Samples are collected in accordance with accepted industry standards and procedures. Routine QA/QC analysis is conducted on all assay results, including the systematic utilization of certified reference materials, blanks and duplicate samples.

Results have now been received for the six drill holes of the program, including drill hole A-13-104 which tested the down-dip extent of the North Lead Anomaly. The North Lead Anomaly is defined by a large lead anomaly that measures approximately 200 metres by 1,000 metres long, with lesser internal barium, arsenic and iron anomalies. This anomaly is partially attributed to a nodular barite showing along a ridge and a massive sulphide lens enriched in lead that was intersected in drill hole A-96-24; located approximately 2.5 kilometres to the northwest of the Cardiac Creek deposit. Drill hole A-96-24 intersected a 0.8 metre thick interval of massive pyrite, galena and sphalerite mineralization directly overlying the debris flow present at the Gunsteel Formation/Road River Group contact. This interval graded 11.6% Zn and 9.05% Pb ("NI 43-101 Technical Report for the Akie Zinc-Lead-Silver Project, British Columbia, Canada" dated April 27, 2012, with an effective date of March 14, 2012).

Drill results are pending from three additional holes, including two holes (A-13-107 & A-13-109) on the Cardiac Creek deposit and a single hole (A-13-110) testing the SE Zone. The Company expects to announce these results shortly.

## **A-13-101: GPS Zone**

The GPS barite showing is represented by thickly bedded, massive barite mineralization hosted in black shale interpreted to be a western panel of the highly prospective Gunsteel Formation, the host rock to the Cardiac Creek and Cirque deposits. The showing is located along the western boundary of the Akie property, directly along strike of Teck and Korea Zinc's Cirque deposit and the West Pie target area on the Pie property.

Drill hole A-13-101 was designed to test the down-dip extension of the GPS bedded barite showing exposed along the lower slopes of a deeply incised creek. Despite the difficult ground conditions encountered in hole A-13-100, drilled from the same location in 2011, hole A-13-101 was successful in reaching its targeted depth.

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A-13-101 intersected black shale of the Earn Group (Akie Formation) at a depth of 86 metres after drilling through the overlying Road River Group siltstone. Mineralization was intersected towards the base of the Akie Formation shale with minor nodular barite and pyrite at 140 metres and a 0.8 metre interval of bedded pyrite with nodular to laminar barite at 151.40 metres. The bedded pyrite and barite returned 0.83 metres of 856 ppm Zn, 252.1 ppm Pb and was anomalous in Ni and Tl. The upper interval of nodular barite returned 2.90 metres of 1,729 ppm Zn and 62 ppm Pb. Cleavage and bedding angles indicate the stratigraphy is steeply dipping to the NW and the bedded pyrite mineralization encountered at 151 metres may be the subsurface representation of the GPS bedded barite showing. However, strong faulting is present along lithological boundaries and throughout the Earn Group stratigraphy, suggesting significant structural complexity at depth.

## **A-13-102: GPS Zone**

Drill Hole A-13-102, drilled to a depth of 392.89 metres, continued to test the down-dip potential of the GPS bedded barite showing and targeted a depth approximately 150 metres down-dip of the bedded pyrite mineralization encountered in drill hole A-13-101. A thick sequence of Earn Group stratigraphy was intersected with lithologies from the Akie, Gunsteel and Paul River Formations all being present, similar to the geology of A-13-101. A small interval of laminated pyrite and minor barite was encountered at a depth of 212 metres which returned nominal results. This interval correlates well with the bedded pyrite intersected in A-13-101. Sampling within the Earn Group lithologies returned several narrow zones of elevated to anomalous zinc between 102.82 metres and 272.44 metres with zinc values up to 2,116 ppm. A wider zone of elevated to anomalous zinc mineralization was encountered at a downhole depth of 304.5 metres with values up to 1,292 ppm. The hole was shut down in well bedded and laminated calcareous siltstone of the Road River Group.

The Company is encouraged by the definitive presence of Earn Group lithologies at the GPS zone, which is shown to host laminated to SEDEX style mineralization characterized by bedded pyrite with barite of a style and character that is similar to mineralization associated with the Cardiac Creek deposit. Additional work is required to determine the potential of the GPS zone and the western Akie panel as a whole. The information generated from these two drill holes will also be used in conjunction with the 2012 VTEM data to assess the potential of the Pb-Tl +/-Zn, +/-Ag soil anomaly, defined during the 2013 exploration program, which is located along strike to the southeast of the GPS zone.

## **A-13-103: South Zinc Anomaly**

Drill hole A-13-103 was drilled to a depth of 232.05 metres to test the northwest end of the prominent South Zinc Anomaly, a large zinc-in-soil anomaly situated to the southeast of the Cardiac Creek deposit along the west facing slope of Hamburger Hill. This anomaly, originally defined during the mid-1990's and expanded during the 2013 exploration program, covers a large 2,250 metre by 600 metre area that is highly anomalous in Zn and Cd with localized areas of Pb, Mn, and Fe anomalism. The approximate centre of the anomaly was tested by a single drill hole in 2007. The South Zinc Anomaly coincides with two of the geophysical targets defined by Condor Consulting Ltd. in their interpretation of the 2012 airborne VTEM geophysical survey conducted by Geotech Ltd.

Drill hole A-13-103 intersected a relatively thick interval of Gunsteel shale interbedded with shale considered to be the Paul River Formation. These shale units were underlain by bioclastic limestone of the Kwadacha Reef. The hole was shut down in well-bedded siltstone of the Road River Group. No significant mineralization was observed within the Gunsteel Formation and nothing was identified in core to conclusively identify the source of the South Zinc Anomaly. However, a narrow interval of pyritic mineralization at 252.50 metres was observed along the unconformable contact between the bioclastic limestone of the Kwadacha Reef and the underlying Road River Group siltstone. Assay results from this mineralization returned 0.50 metres of 0.4% Zn, 393.1 ppm Pb, 0.90% Ni and highly anomalous values of Mo, As, U, V, P, La, Cr, Hg, and Se.

While the setting and host rocks are different, the style and character of the mineralization is similar to that of the Nick Horizon observed in the 2010 drill hole A-10-72 and the elemental signature is identical. A thin lens of sulphide mineralization intersected in A-10-72 within the Paul River Formation ran 2.69% Zn, 0.60% Ni and 4.36 g/t Ag and contained highly anomalous values across a diverse suite of elements, including: molybdenum, copper, lead, cobalt,

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arsenic, uranium, cadmium, antimony, bismuth, vanadium, phosphorus, mercury, thallium, selenium, rhenium, gold and palladium. This mineralization is of similar character to the Nick Deposit in the Yukon.

The samples associated with the mineralized interval in A-13-103 are being re-run with a 54 element ICP analytical package to assess its Au and PGE potential. An identical occurrence of mineralization was intersected in hole A-13-106. The occurrence of Nick-style mineralization at the Paul River/Road River Group contact presents the Company with another prospective stratigraphic horizon to assess and explore on the Akie property and the Kechika Trough as a whole.

To-date two drill holes have tested the large South Zinc Anomaly with inconclusive results. The presence of highly prospective Gunsteel Formation shale is encouraging but drill results to date have not fully explained the overlying soil anomaly. It is possible the source of zinc anomalism may be further up-slope on Hamburger Hill.

## A-13-104: North Lead Anomaly

Drill hole A-13-104, drilled to a depth of 737.00 metres, tested the down-dip extension of mineralization encountered in A-10-68 and A-10-76. These holes each encountered thick (>125 metres) intervals of laminar to bedded pyrite mineralization interbedded with siliceous black shale of the Gunsteel Formation. This mineralization was variably anomalous in zinc with individual values greater than 2%. The results from the current hole and its neighbor holes are tabulated below.

Two large intervals of laminated to thickly bedded pyrite with nodular barite were intersected in hole A-13-104, interbedded with black siliceous Gunsteel shale. The upper interval consists primarily of laminated pyrite with nodular barite extending over 103.46 metres from 233.81 to 337.27 metres. This is underlain by a 13 metre interval of semi-massive laminar to bedded pyrite with barite extending to a depth of 350.23 metres. This upper interval of mineralization was completely unexpected, based on current understanding of the stratigraphy from neighbor holes.

The lower sequence of mineralization, and the primary exploration target, was intersected over 171.17 metres from 474.83 to 646.00 metres. This interval is characterized by laminar bedded pyrite with nodular barite interbedded with the Gunsteel shale. A more developed, proximal facies style of thickly bedded pyrite with lesser amounts of nodular barite was intersected within the larger interval; over 89.44 metres from 515.74 to 605.18 metres. Results are tabulated in the table below and include highly anomalous zinc enriched intervals from both the upper and lower sequences of mineralization. Both of these internal horizons contain higher grade cores as well which are outlined in the table below.

The Company continues to be encouraged with the strong continuity (along strike and down-dip) and progressive development of mineralization present at the North Lead Zone in terms of style, character and its similarities to the Cardiac Creek deposit. The presence of an unexpected mineralized upper zone within the North Lead stratigraphy is also a positive indicator of the prospectivity of the North Lead Zone. The North Lead Zone continues to be a high priority target for the Company and future drill holes targeting both the down-dip and strike extents of known mineralization in hole A-10-76 and A-13-104 will be planned for upcoming exploration programs.

Drill Hole	From (m)	To (m)	Core Length (m)**	Zn (%)	Pb (ppm)	Ag (g/t)*	Zn+Pb (%)
<b>A-13-104</b>	287.60	362.88	75.28	<b>0.22</b>	<b>281</b>	<b>1.70</b>	<b>0.24</b>
including	321.20	333.93	12.73	<b>0.37</b>	<b>443</b>	<b>1.90</b>	<b>0.41</b>
and	474.83	651.30	176.47	<b>0.13</b>	<b>72</b>	<b>2.17</b>	<b>0.13</b>
including	520.30	574.25	53.95	<b>0.19</b>	<b>128</b>	<b>2.43</b>	<b>0.20</b>
Including	587.33	615.09	27.76	<b>0.19</b>	<b>98</b>	<b>1.81</b>	<b>0.19</b>
A-10-68†	490.04	614.62	124.58	0.17		Zn values up to 2.08%	
A-10-76†	614.78	742.45	127.67	0.11		Zn values up to 0.47%	

(\*) Ag values below detection were given a value half of the detection limit for the purposes of weighted averaging.

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(\*\*) At this time a true width of these intervals are unknown

## **A-13-105 and A-13-106: Cardiac Creek Deposit**

Drilling on the Cardiac Creek deposit was focused on several infill and expansion targets located on the northwest and southeast margins. These targets were selected to demonstrate the ongoing continuity of the high grade mineralization within the core of the deposit as well as expand its known limits. This plan is consistent with the recommendations contained within the revised NI 43-101 Technical Report entitled "NI 43-101 Technical Report, Akie Zinc-Lead-Silver Project, British Columbia, Canada", dated April 27, 2012, with an effective date of March 14, 2012.

Drill hole A-13-105 targeted the deposit in an area located between drill hole A-08-64 and A-08-66 and high grade drill holes A-05-33 and A-11-93. The pierce point for A-13-105 is located some 50 metres down-dip from A-08-64.

The drill hole passed through a thick sequence of Gunsteel Formation shale before intersecting the proximal facies characterized by thickly bedded pyrite mineralization at a depth of 358.64 metres. The proximal facies transitioned to Cardiac Creek style mineralisation at a depth of 374.42 metres. The hole then intersected a thin interval of debris flow before being shut down in well-bedded siltstone of the Road River Group at a depth of 442.87 metres.

The hole intersected an extensive interval grading 3.24% combined Zn+Pb and 5.35g/t Ag over 40.08 metres including a higher grade core grading 8.88% combined Zn+Pb and 11.09g/t Ag over 6.01 metres. The results are tabulated below. The drill hole confirms grade and continuity in the southeast area of the deposit that has seen relatively few drill holes. The Company believes more drilling is warranted in this locale to extend the known strike length of the deposit to the SE and at a depth down-dip of known intersections.

Drill hole A-13-106 was designed to test the up-dip mineralization potential of A-10-74. The pierce point is located approximately 150 metres along strike from A-94-11 and 150 metres up-dip of A-10-74. The hole intersected a thick package of Gunsteel Formation black shale with local interbedded bands of laminated pyrite and nodular barite to a depth of 464.42 metres. The laminated pyrite and nodular barite beds increased in frequency and size to a depth of 477.21 metres. The Cardiac Creek zone was intersected from 477.21 to 488.06 metres consisting of sphalerite dominated sulphides beds with pyrite and galena. Two large quartz-carbonate veins with brecciated sulphides bracket the main section of mineralization. Underlying the deposit coarse nodular barite with pyrite laminations interbedded with Gunsteel Formation shale is present to a depth of 493.42 metres. The hole intersected a thin interval of Paul River Formation debris flow and fossiliferous limestone from 493.43 to 501.13 metres before being shut down in rocks of the Road River Group at a depth of 531.27 metres.

The hole intersected an interval grading 7.53% combined Zn+Pb and 10.70 g/t Ag over 10.56 metres that included a high grade core grading 10.53% combined Zn+Pb and 13.69g/t Ag over 6.63 metres. The results are tabulated below. The drill hole confirms grade and continuity in the upper reaches of the northwest portion of the deposit and demonstrates the up-dip and strike extension potential. More drilling is warranted in this locale to extend the known dip and strike extents of the deposit to the northwest.

<b>Drill Hole</b>	<b>From (m)</b>	<b>To (m)</b>	<b>True Width (m)</b>	<b>Zn (%)</b>	<b>Pb (%)</b>	<b>Ag (g/t)</b>	<b>Zn+Pb (%)</b>
<b>A-13-105</b>	357.00	411.33	40.08	<b>2.79</b>	<b>0.45</b>	<b>5.35*</b>	<b>3.24</b>
including	377.00	404.40	20.26	<b>4.49</b>	<b>0.77</b>	<b>7.44</b>	<b>5.26</b>
including	392.85	404.40	8.56	<b>6.42</b>	<b>1.21</b>	<b>9.51</b>	<b>7.63</b>
including	395.15	403.25	6.01	<b>7.46</b>	<b>1.43</b>	<b>11.09</b>	<b>8.89</b>
<b>A-13-106</b>	476.00	488.06	10.56	<b>6.47</b>	<b>1.06</b>	<b>10.70</b>	<b>7.53</b>
including	476.76	486.50	8.53	<b>7.96</b>	<b>1.30</b>	<b>13.00</b>	<b>9.26</b>
including	477.21	484.78	6.63	<b>9.03</b>	<b>1.50</b>	<b>13.69</b>	<b>10.53</b>

(\*) Ag values below detection were given a value half of the detection limit for the purposes of weighted averaging.

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In addition to the Cardiac Creek style mineralization another narrow interval of Nick style mineralization was intersected over 1.23 metres along the unconformable contact between the fossiliferous limestone of the Kwadacha Reef and the underlying Silurian Siltstone. This interval is identical to the occurrence intersected in A-13-103 from the South Zinc Anomaly. The interval returned 0.3% Ni, 0.11% Zn and was elevated in Pb, U, P, and Se. The samples are being rerun with a 54 element ICP analytical package to test its potential for Au and PGE's and provide a full spectrum of elements for the interval. The company has now intersected Nick style mineralization in three widely spaced drill holes (A-10-72, A-13-103, A-13-106) all within or associated with Paul River Formation rocks. The spacing of these three intersects suggest that this style of mineralization could be widespread across the property and possibly the district.

## *Akie Underground Development*

In August 2011, the Company received an underground drill permit from the BC government for the Akie project which will facilitate advanced exploration of the Cardiac Creek deposit. Underground drilling is essentially unaffected by weather and will allow year-round operations. Planned development will initially be confined in the footwall of the deposit. Additional development would allow for a bulk ore sample to be taken providing data for pilot plant test work and marketability studies.

The underground drill permit is valid for a period of three years and is the main provincial permit required to build the surface and underground infrastructure required for a comprehensive diamond drill definition program on the Cardiac Creek deposit. The permit was originally issued with a duration date to December 2014 but by application in 2013 the Company has extended the duration date to December 2017.

The planned program is comprised of a first phase of 1,600 metres of underground development followed by 16,000 metres of underground diamond drilling, designed to upgrade the current 43-101 compliant resource to the measured and indicated category. Drill core from underground will be used in a systematic metallurgical sampling program intended to ensure metallurgical sampling across the full spectrum of the deposit. Underground development will also provide important engineering and geotechnical data for a second phase of exploration drilling and bulk sampling, and for future mine design.

The 2011 surface construction program included stripping of the planned underground portal site, preparation of the portal pad, construction of the waste rock dump site, and upgrade of the existing lower access road. The Company anticipates resuming surface work construction with an aim to collaring the underground portal. The Company continues to examine tender bids and costs associated with underground development for exploration drilling. Engineering and environmental studies will continue.

## *Geochemical surveys*

To better define the South Zinc soil anomaly and evaluate the eastern half of the Akie property, an extensive soil sampling program was executed during the 2013 exploration program with over 1,000 samples being collected. The results of this program have clearly defined the boundaries of the South Zinc anomaly, a prominent Zn-Pb soil anomaly measuring 2.25 kilometres long and 600 metres wide. The South Zinc anomaly is located to the southeast of the Cardiac Creek deposit on the eastern side of Silver Creek.

Several significant new soil anomaly trends have been identified, including a prominent linear silver anomaly downslope of the newly discovered Sitka showing on the Silver Creek grid, and a large multi-element Pb-Ag-Zn-Tl anomaly on the West Akie Grid.

## *Sitka Showing*

Channel and grab sampling on and along-strike of the Sitka Showing has produced significant grade zinc-lead-silver-barite results indicative of a new SEDEX horizon on the eastern Akie panel. Significant channel assay results to-date from Sitka sampling include 5.1% Zn over 0.7 metres from Channel 1, 1.9% Zn over 0.8 metres from Channel 5, and 0.9% Zn, 1.6% Pb & 4014 ppb Ag over 2.4 metres from Channel 3. Grab samples taken along strike

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of the main showing returned high grade zinc-lead values including 43.55% Zn and 48.95% Pb. The true width, strike extent and depth dimension of the Sitka showing is unknown due to poor exposure at the location.

The Sitka showing as discussed above is associated with a strong, NW-SE trending open-ended Ag soil anomaly with values consistently exceeding 5,000 ppb and ranging up to 15,765 ppb. This anomaly is situated just below the Gunsteel Formation shale to Silurian siltstone/Kwadacha limestone contact and occurs along a SW facing slope. The anomaly currently measures 1.4 kilometres long and 300 metres wide and appears to be associated with another anomalous Ag trend located 1 kilometre along strike to the southeast. These anomalies are also associated with anomalous values of Zn, Pb, Tl, and Ba. Additional soil sampling, prospecting and mapping will be required to fully evaluate the Sitka showing and the associated soil anomaly.

## **KECHIKA REGIONAL PROJECT**

In addition to the Akie property, the Company has 100% ownership of a large contiguous group of mineral claims that aggregate to a total of 10 properties that cover 68,000 hectares. The mineral claims stretch a distance of 140 km from the Pie property on the north boundary of the Akie property to the Thro property, near the northern reaches of the Gataga River. The properties cover the extent of the prospective Gunsteel Formation shale which is the known host of SEDEX mineralization in the Kechika Trough.

The southernmost project boundary is located approximately 260 kilometers north-northwest of the town of Mackenzie. The Kechika project includes several properties with significant historical drill intercepts, including the Mt. Alcock property which has yielded a drill intercept of 8.8 metres grading 9.3% Zn+Pb, numerous zinc-lead-barite occurrences, and several regional base metal anomalies. Historical drilling on the Bear-Spa property returned several drill intercepts of +10 metres grading 2.53 to 2.96% combined Zn+Pb and up to 20.6 g/t Ag. There has been no modern follow-up exploration on many of these properties.

On May 15<sup>th</sup>, 2012 the Company announced it had received a NI 43-101 compliant Technical Report entitled “NI 43-101 Technical Report on the Pie Property”, dated May 4, 2012 and authored by Tanya Strate, P.Geol., an independent qualified person for the purposes of NI 43-101. The Technical Report highlights the SEDEX Zn-Pb-Ag prospectivity of the property, documents the results of field work completed on the property in 2011, and makes recommendations for further work, including drill testing of several Zn-Pb-Ag mineralization targets. The technical report can be found on SEDAR ([www.sedar.com](http://www.sedar.com)).

On June 15<sup>th</sup>, 2012 the Company took receipt of a NI 43-101 compliant technical report entitled “NI 43-101 Technical Report on the Mt Alcock Property” dated May 31, 2012 and authored by Tanya Strate, P.Geol., an independent qualified person for the purposes of NI 43-101. Please refer to SEDAR ([www.sedar.com](http://www.sedar.com)) to review the report. The Technical Report highlights the history of previous exploration on the property since the 1970's and identifies the prospectivity to host SEDEX Zn-Pb-Ag mineralization. The report documents the results of assessment work completed on the property in 2011, and makes recommendations for further work, including drill testing of the Main barite zone previously drill tested in 1989 and 1990. The property hosts several large soil geochemical anomalies that have never been drill tested and other Zn-Pb-Ag mineralization targets.

## **Airborne Geophysical Survey**

In August 2012, the Company engaged Geotech Ltd. Of Aurora, Ontario to complete a large-scale, 1,526 line kilometre airborne Versatile Time Domain EM (VTEM) geophysical survey over the Akie, Pie and Mt. Alcock properties. This is the first modern airborne geophysical survey undertaken on the Company's mineral tenures.

The survey had a nominal line spacing of 200 metres but was tightened to 100 metre spacing over key areas of interest such as the Cardiac Creek deposit. The primary goal of the survey was to obtain lithological and structural information near surface and at depth across the three properties, as well as define a geophysical response directly from the Cardiac Creek deposit.

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The interpretative results generated from the VTEM data indicate an excellent correlation between the known geological and structural data and the EM conductivity response generated from the survey. The Devonian Gunsteel Formation black shale, known host to the mineralized occurrences in the belt, is easily identified as a conductive trend and can be traced across the Akie and Pie properties. Additionally, the interpreted western thrust panel of rocks, which have been tentatively assigned to the Gunsteel Formation, and which hosts the GPS barite showing, has a similar conductive trend and was also traceable across the two properties. Other key lithological units such as the Kechika Group siltstone and limestone of the Kwadacha Reef are also discernible by variation in conductivity and resistivity.

The results also defined the western panel of Gunsteel Formation shale and associated rocks on the Mt. Alcock property and suggest an increased level of structural complexity compared to the existing mapping. A prominent EM lineation is present along strike to the southeast of the Main Barite showing. Historical drilling on the Main Barite showing intersected 8.8 metres grading 9.3 % combined Zn+Pb and 1.2 opt Ag in drill hole 89-3 and 10.5 metres grading 6.8 % combined Zn+Pb and 0.7 opt Ag in drill hole 89-9. This EM lineation is situated outside of any historical surface work and remains untested and is a high priority target for follow-up work.

To provide a detailed analysis of the VTEM results the company engaged Condor Consulting Inc. of Littleton, Colorado, recognized experts in the field of airborne electromagnetics. The goal of this work was to utilise existing geological, geophysical, drilling and 3D modeling data and assess the VTEM results from the three properties, with a particular focus on the geophysical response garnered from the Cardiac Creek deposit as well as other mineralized occurrences in an attempt to define a deposit or mineralized signature. These results were used to generate, define and rank electromagnetic targets on the three properties for follow up ground work. In addition, the analysis was used to better define and delineate both lithological and structural contacts, particularly in regions where outcrop exposure is limited or not present due to vegetation.

Condor completed a number of processing steps to evaluate the data, including layered-earth, time constant and depth imaging. The result of this detailed analysis has shown that areas of known mineralization such as Cardiac Creek and Mt. Alcock are located along conductive trends and exhibit elevated conductivity and depressed magnetic signatures. Three profiles across the Cardiac Creek deposit show a strong conductor ranging from the surface to about 300 m depth which is about the depth limit that the VTEM survey data can be resolved with confidence.

Despite the strong conductor seen at Cardiac Creek, it is not unique and is only a small portion of a larger conductive lineation seen through the VTEM survey block. Plan view images indicate the conductivity along the Cardiac Creek deposit is slightly lower than along the same conductor just north and south of the deposit. The decreased magnetic signature observed around the Cardiac Creek deposit is likely due to magnetite destruction caused by hydrothermal fluids proximal to a source vent. Condor believes that the magnetic lows coincident with elevated conductivity are a significant geophysical signature that may accompany proximal mineralization and can be used as an exploration vector toward finding new zones.

The detailed analysis also generated a series of 25 Target Zones (TZ) on all three properties. The target zones are groupings of conductors (either discrete conductor picks or wide features from depth imaging) that are prioritized based on the degree of correlation of the observed response with the defined target model. The target zones have been referenced against the known geological, structural and drill data.

Several target zones are located along strike of known mineralization, including both north and south of Cardiac Creek. The largest and strongest target zone identified in the survey is east of Cardiac Creek on an eastern panel of Gunsteel Formation that has seen only limited historical soil sampling on reconnaissance line spacing. TZ-17 is a long conductor, possibly positioned along a fold axis, which appears to be dipping east. As with Cardiac Creek, this target has a highly conductive response as part of its geophysical signature.

Another target zone east of Cardiac Creek is coincident with a very large and strong historical zinc-in-soil anomaly (South Zinc Anomaly) that remains largely untested by systematic exploration. Additional targets are present on the eastern side of Silver Creek, located opposite to the Cardiac Creek deposit, and within the prospective Gunsteel Formation. The eastern side of Silver Creek has seen only limited exploration including soil sampling that defined

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the South Zinc anomaly in 1996.

Targets were identified on the Mt. Alcock property located northwest of the Main Zone in rocks interpreted to be Road River Group but which will now be reassessed due to the similar EM conductivity pattern known from the Gunsteel Formation. These targets will be followed up in the field to determine the host lithologies and the possibility of a potential thrust repeat of the Gunsteel Formation shale. Several targets were also identified on the Pie property, most notably on the West Pie target area within the interpreted Gunsteel Formation shale. These targets will be assessed in upcoming field seasons.

The report and ranked EM targets defined by Condor Consulting will continue to be reviewed and assessed in conjunction with the digital GIS compilation recently completed on all three properties. It is expected that this work will refine the targets to produce high priority field targets for upcoming field seasons. Although target zones can be selected from the VTEM data, it is important that they be further investigated with ground geophysics or geochemistry before drilling.

In 2013, the Company completed the airborne survey over the remainder of the Kechika Regional properties using Geotech Ltd.'s VTEM system. The primary goal of the survey was to obtain lithological and structural information near surface and at depth across the properties, as well as define geophysical responses for Gunsteel shale stratigraphy. A total of 2,795 line kilometres were flown. The final dataset has now been received and is currently being reviewed. An interpretative report is planned for completion in late fall.

## **Agreement with Teck and Korea Zinc**

On September 6, 2013, the Company entered into the Agreement with Teck that that would see Teck acquire up to a 70% interest in the Company's Pie, Cirque East and Yuen properties (the "Property"), three of the 10 regional properties that make up the Kechika Regional Project.

The Agreement outlines two options (the "Options") that are subject to certain expenditure requirements as outlined below:

- Under the first Option, Teck can earn an undivided 51% interest in and to the Property by incurring a cumulative aggregate of \$3,500,000 in exploration expenditures on the Property on or before September 30, 2017, with \$500,000 in exploration expenditures to be completed on or before September 30, 2014 and \$1,500,000 in cumulative exploration expenditures to be completed on or before September 30, 2015.
- Under the second Option, Teck may elect to acquire an additional 19% interest in the Property for a total of 70%, by incurring an additional \$5,000,000 in exploration expenditures (for a total aggregate of \$8,500,000 in exploration expenditures) on the Property on or before September 30, 2019.

Subject to one or more of the Options being exercised, Teck and the Company will form a joint venture to continue with exploration and, if warranted, development of the Property. Thereafter each party will fund its pro-rated share of exploration expenditures on the Property or incur dilution. If a party's Joint Venture interest is reduced below 10% then that party's interest will be converted to a 5% Net Profits Royalty interest in the Property.

Portions of the Property fall within the area of interest provisions of the Teck and Korea Zinc joint venture (the "T-KZ JV") on their adjoining Cirque property. Korea Zinc elected to include the Agreement under the T-KZ JV and delivered Notice of Participation in the Agreement to the Company in November of 2013. Teck and Korea Zinc each hold a 50% interest in the T-KZ JV and will share any interest which may be acquired under the Agreement.

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## Summary of exploration expenditures incurred on various properties:

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

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## 1.3 Selected Annual Information

The following is a summary of certain financial information concerning the Company for each of the last three most recently completed financial years.

	Years ended		
	2013	2012	2011
	(IFRS)	(IFRS)	(IFRS)
Interest and other income	\$ 197,038	\$ 241,234	\$ 249,033
Net Loss	\$ (1,861,866)	\$ (1,590,656)	\$ (3,064,185)
Loss per share	(\$0.02)	(\$0.01)	(\$0.03)
Total assets	\$ 78,868,023	\$ 78,271,595	\$ 81,527,157
Total long term liabilities	\$ 1,761,000	\$ 1,466,000	\$ 1,413,000
Cash dividends declared per share for each class of share	\$ Nil	\$ Nil	\$ Nil

## 1.4 Results of Operations

The following is a discussion of the financial condition, changes in financial condition and results of operations of the Company for the three months ended September 30, 2013 and 2012.

During the three months ended September 30, 2013, the Company reported a loss before comprehensive loss of \$76,383 or \$0.00 per share compared to a loss before comprehensive loss of \$364,498 or \$0.00 per share during the same period in fiscal 2012, a decrease in net loss of \$288,115.

The table below details certain non-cash transactions that for the purposes of this discussion have been excluded from the reported net loss to produce an adjusted net loss that forms a better basis for comparing and assessing the Company's period-over-period operating results and requirements.

	Three months ended September 30,	
	2013	2012
	(IFRS)	(IFRS)
Net comprehensive loss for the period	\$ (482,197)	\$ (288,126)
Adjustment for change in FMV of marketable securities	405,814	(76,372)
Net loss before comprehensive loss	(76,383)	(364,498)
Deferred income tax recovery	(245,579)	–
Net loss before income taxes	(321,962)	(364,498)
Depreciation	1,211	1,260
Share-based compensation expense	3,185	16,619
Loss on sale of marketable securities	–	(1,992)
Loss on write-off of equipment	377	–
Adjusted net loss for the MD&A discussions (1)	\$ (317,189)	\$ (348,611)

(1) Adjusted net loss for the period is not a term recognized under IFRS.

### Interest income

Total interest income for the three months ended September 30, 2013 was \$47,794 compared to \$47,989 in the same period last year.

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## Other income

During the three months ended September 30, 2013, the Company earned administration fees of \$17,935 (2012 - \$Nil) for conducting exploration activities on behalf of third parties.

## General and administration expenses

Total general and administration expenses decreased by \$23,181 primarily due to decreases in consulting fees of \$12,500, investor relations fees of \$38,880 and share-based compensation expense of \$13,434, offset by increases in bonuses of \$10,000, accrued flow-through taxes of \$12,957, regulatory fees of \$3,300, travel and promotion of \$5,595 and wages and benefits of \$11,029.

During the three months ended September 30, 2013, the Company paid a bonus of \$10,000 (2012 - \$Nil) to a company controlled by directors and officers of the Company.

The decrease in consulting fees was due to decreased business development consulting and financial advisory services.

The decrease in investor relations fees was due to reduced investor relation activities in Europe.

The Company recognizes compensation expense for all stock options granted, using the fair value based method of accounting and any cash paid on the exercise of stock options is added to the stated value of common shares. During the three months ended September 30, 2013, 2013, the Company recorded share-based compensation expense of \$3,185 (2012 - \$16,619) on the vested portion of stock options granted to an officer of the Company in prior years. The recorded share-based compensation expense was significantly lower due a change in estimated length of the vesting periods for performance-based options. There were no stock options granted during the period.

## **1.5 Summary of Quarterly Results**

The following is a summary of certain consolidated financial information concerning the Company for each of the last eight reported quarters:

Quarter ended	Interest income and other income	Net loss before comprehensive loss	Loss per share
September 30, 2013	\$ 65,729	\$ (76,383)	\$ (0.00)
June 30, 2013	53,446	(661,091)	(0.01)
March 31, 2013	48,894	(423,693)	(0.01)
December 31, 2012	46,710	(412,584)	(0.00)
September 30, 2012	47,988	(364,498)	(0.00)
June 30, 2012	54,178	(531,016)	(0.01)
March 31, 2012	46,972	(281,615)	(0.00)
December 31, 2011	72,030	(502,784)	(0.00)

The decrease in loss for the quarter ended September 30, 2013 was primarily due to deferred income tax recovery of \$245,579 as a result of amortization of the flow-through premium liability, which arose in connection with the flow-through private placement of the Company completed in November 2012.

The increase in loss for the quarter ended June 30, 2013 was primarily due to deferred income tax expense of \$233,993.

The increase in loss for the quarter ended June 30, 2012 was due to a loss on non-recoverable exploration advances of \$93,072 and deferred income tax expense of \$53,000.

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## 1.6/1.7 Liquidity and Capital Resources

The Company reported working capital of \$12,022,164 at September 30, 2013 compared to working capital of \$14,625,726 at June 30, 2013, representing a decrease in working capital of \$2,603,562. The decrease in working capital was a result of exploration and evaluation and general administrative expenditures offset by proceeds from the financing of \$500,000 completed by the Company in September of 2013. Net cash decreased by \$1,380,031 from \$13,028,707 at June 30, 2013 to \$11,648,676 at September 30, 2013.

During the three months ended September 30, 2013, the Company utilized its cash and cash equivalents as follows:

- (a) \$480,082 was used in operating activities, consisting primarily of general and administrative expenditures and changes in non-cash items;
- (b) \$1,324,567 was used for exploration of mineral resource properties and \$37,057 was used for acquisition of equipment and camp upgrades;
- (c) \$37,100 was used for the purchase of marketable securities;
- (d) \$10,475 was used for the purchase of 49,000 common shares of the Company at a weighted average price of \$0.21 per share under the Normal Course Issuer Bid ("NCIB"), which commenced on July 31, 2009 and was subsequently extended in August 2010, 2011, 2012 and 2013;
- (e) \$496,750 was received from the private placement net of regulatory filing fees of \$3,250; and
- (f) \$12,500 was received from exercise of 50,000 share options at a price of \$0.25.

The Company is engaging in a NCIB because it believes that the market price of its common shares at times does not properly reflect the underlying value of the Company. The purpose of the bid is to reduce dilution of the Company's shares and to enhance the potential future value of the common shares which remain outstanding, thus increasing long term shareholder value. Purchases connected with this bid will be conducted through Canaccord Genuity Corp.'s offices in Vancouver. The Company will pay the market price of the common shares at the time of acquisition and will not purchase more than 2% of the total issued and outstanding common shares within any 30 day period.

Current assets excluding cash as at September 30, 2013 include receivables of \$210,201, which consisted of HST recoverable of \$131,240, interest receivable on security deposits of \$1,574 and other receivables of \$77,387, representing recoverable exploration expenditures, recoverable mineral exploration tax credits ("METC") of \$826,103, prepaid expenses of \$23,865 and marketable securities with a fair market value of \$710,266. Current assets excluding cash as at June 30, 2013 include receivables of \$42,809, which consisted of HST recoverable of \$42,210, interest receivable on short-term investments of \$539 and other receivables of \$60, recoverable mineral exploration tax credits ("METC") of \$826,103, prepaid expenses of \$10,255 and marketable securities with a fair market value of \$1,078,980.

The Company applied for the 20% BC METC and the enhanced tax credit of an additional 10% for Mountain Pine Beetle affected areas, on qualified mining exploration costs incurred by the Company. The Company filed the BC METC application for \$826,103 for its fiscal 2012, which is pending assessment by Canada Revenue Agency.

Current liabilities as at September 30, 2013 consisted of trade payables and accrued liabilities of \$1,396,947, mainly consisting of exploration invoices, and flow-through premium liability recorded in connection with the November 2012 private placement of \$30,914. The flow-through premium liability does not represent a cash liability to the Company and will be fully amortized to the statement operations and comprehensive loss once the Company incurs \$3,000,000 in exploration expenditures qualifying for the flow-through program. Current liabilities as at June 30, 2013 consisted of trade payables and accrued liabilities of \$342,818, amounts due to related parties of \$18,310 and flow-through premium liability of \$276,493.

The other sources of funds potentially available to the Company are through the exercise of outstanding stock options and share purchase warrants. See Item 1.15 – Other Requirements – Summary of Outstanding Share Data. There can be no assurance, whatsoever, that any or all of these outstanding exercisable securities will be exercised.

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The Company has and may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund its future operations, the Company may be required to seek additional financing. Although the Company has been successful in raising the above funds, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company's overall success will be affected by its current or future business activities. The Company is currently in the process of acquiring and exploring its interests in resource properties and has not yet determined whether these properties contain mineral deposits that are economically recoverable. The continued operations of the Company and the recoverability of expenditures incurred in these resource properties are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, and upon future profitable production or proceeds from disposition of the resource properties.

The Company is exposed in varying degrees to a variety of financial instrument related risks.

## *Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank deposits of \$11,648,676. As all bank accounts are held with a major bank in Canada, there is a concentration of credit risk with one bank in Canada. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government sales taxes, exploration tax credits and interest accrued on GIC investments. Other receivables, representing recoverable exploration expenditures, were collected subsequent to September 30, 2013.

## *Liquidity Risk*

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents. As at September 30, 2013, the Company was holding cash deposits of \$11,648,676 to settle current cash liabilities of \$1,396,947. Management believes it has sufficient funds to meet its current obligations as they become due and to fund its exploration projects and administrative costs.

## *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant and the Company, as all other companies in its industry, has exposure to these risks.

## *Interest Rate Risk*

The Company is exposed to interest rate risk as its bank treasury account earns interest income at variable rate of prime less 1.5%.

## *Currency Risk*

The Company operates in Canada and is therefore not exposed to significant foreign exchange risk arising from transactions denominated in a foreign currency.

## *Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on

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earnings and economic value due to commodity price movements and volatilities. The Company closely monitors certain commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

The Company also maintains investments in certain marketable securities. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

## 1.8 Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

## 1.9 Transactions with Related Parties

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

Three months ended September 30,	2013	2012
Bonuses (ii)	\$ 10,000	\$ –
Consulting fees (iii)	3,750	3,750
Directors fees (iv)	12,500	12,500
Exploration and evaluation expenditures (geological consulting) (v)	35,004	35,004
Management and administration (i)	88,500	88,500
Share-based payments (vi)	3,185	14,321
<b>Total</b>	<b>\$ 152,939</b>	<b>\$ 154,075</b>

- (i) On May 1, 2007, the Company entered into a management and administrative agreement with Varshney Capital Corp. (“VCC”), a company with two common directors, whereby the Company agreed to pay management and administrative fees of \$12,500 and \$5,000 per month, respectively. Effective July 1, 2011, the agreement was amended to increase the monthly management fee to \$24,500.

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

- (ii) the Company paid bonus of \$10,000 (2012 - \$Nil) to a company controlled by directors and officers of the Company;
- (iii) the Company paid or accrued \$3,750 (2012 - \$3,750) for consulting fees to a company controlled by a director;
- (iv) the Company paid or accrued \$12,500 (2012 - \$12,500) in directors fees to five directors of the Company;
- (v) the Company paid or accrued exploration and evaluation costs of \$35,004 (2012 - \$35,004) to a company owned by an officer of the Company; and

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- (vi) Share-based payments are the fair value of options that have been granted to directors and executive officers and the related compensation expense recognized over the vesting periods.

As at September 30, 2013, \$Nil (June 30, 2013 - \$18,310) was due to directors and officers of the Company for consulting fees and reimbursement of business expenses.

## 1.10 Fourth Quarter

During the fourth quarter ended June 2013, the Company received multi-year exploration permits from the British Columbia Ministry of Energy, Mines and Natural Gas for the Yuen property and the North Kechika regional properties and date extensions for its existing multi-year permits for the Akie, Pie and Mt. Alcock properties. The Company has also received approval for the construction of a temporary exploration camp on the Mt. Alcock property. The camp will increase logistical efficiencies and service exploration efforts to the northwest between Mt. Alcock and North Kechika.

In April 2013, the Company negotiated a special interest rate of 1.5% on its treasury with its main financial institution and consolidated all its cash accounts.

In June 2013, the Company commenced its 2013 exploration program that included diamond drilling planned for the Akie property and an expansion of the 2012 airborne VTEM survey.

During the quarter ended June 30, 2013, the Company incurred a loss before comprehensive loss of \$661,091 (2012 - \$531,016). The increase in loss during the quarter was primarily a result of deferred income tax expense of \$233,993 (2012 - \$74,305).

Other significant trends and accounts during the quarter ended June 30, 2013 included the following:

- the flow-through Part XII.6 tax of \$58,718 (2012- \$Nil) accrued as a result of the “look-back” renunciation of the November 2012 private placement’s subscription amounts to the flow-through shareholders;
- professional fees of \$45,677 (2012 – \$57,306) including legal costs related to 2013 AGM and audit fees for fiscal 2013;
- travel and promotion costs of \$73,270 (2011 - \$113,763) incurred by directors attending trade conferences and promotional events; and
- exploration expenditures of \$481,775 including costs related to 2013 VTEM survey of \$313,155.

## 1.11 Proposed Transactions

The Company does not have any proposed transactions as at September 30, 2013 other than as disclosed elsewhere in this document.

## 1.12 Critical Accounting Estimates

The Company does not have any off-balance sheet arrangements as at September 30, 2013.

## 1.13 Changes in Accounting Policies including Initial Adoption

The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards. Our significant accounting policies are set out in Note 2 of the audited consolidated financial statements of the Company, as at and for the year ended June 30, 2013.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company’s annual consolidated financial, except for the adoption of new standards and interpretations effective as of July 1, 2013. The new standards and amendments are disclosed in detail in Note 2 of the condensed consolidated interim financial statements for the three months ended September 30, 2013. These include *IFRS 10* Consolidated Financial Statements, *IFRS 11* Joint Arrangements, *IFRS 12* Disclosure of Interest in Other Entities and *IFRS 13* Fair Value Measurement. The adoption of these standards

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and amendments had no impact on the financial statements of the Company. However, it may result in additional disclosures in the annual consolidated financial statements for the year ended June 30, 2014.

## 1.14 Financial Instruments and Other Instruments

The Company's financial instruments as at September 30, 2013 were as follows:

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

Unless otherwise disclosed their carrying values approximate their fair values due to the short term nature of these instruments. Please also see Note 14 of the condensed consolidated interim financial statements of the Company for the three months ended September 30, 2013.

## 1.15 Other Requirements

### Summary of outstanding share data as at November 28, 2013:

- (1) Authorized: Unlimited common shares without par value  
  
Issued and outstanding: 143,599,138  
Less treasury shares: (49,000)
- (2) Stock options outstanding: 6,972,500
- (3) Warrants 5,000,000

Additional disclosures pertaining to the Company's technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

On behalf of the Board of Directors, thank you for your continued support.

"Peeyush Varshney"

Peeyush Varshney  
Director  
November 28, 2013