CANADIAN ZINC CORPORATION

Unaudited Financial Statements

March 31, 2005

Index

CANADIAN ZINC CORPORATION

Balance Sheets
March 31, 2005
(unaudited - prepared by management)

		March 31 2005		December 31 2004
		(unaudited)		(audited)
ASSETS				
Current assets				
Cash and cash equivalents	$	12,593,746		12,907,997
Accounts receivable and prepaids		22,629		24,711
		12,616,375		12,932,708
Resource interests (Note 2)		17,102,977		16,897,724
Plant and equipment (Note 3)		123,656		133,547
	$	29,843,008	$	29,963,979
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	180,597	$	175,080
Property closure and abandonment provision (Note 4)		1,186,550		1,197,996
		1,367,147		1,373,076
SHAREHOLDERS' EQUITY				
Share capital (Note 5)		38,020,211		37,789,923
Contributed surplus		1,277,000		36,000
Deficit		(10,821,350)		(9,235,020)
		28,475,861		28,590,903
	$	29,843,008	$	29,963,979

Approved by the Directors: *"John F. Kearney"* John F. Kearney *"Robert Gayton"* Robert Gayton

CANADIAN ZINC CORPORATION

Statements of Operations and Deficit
March 31, 2005

(unaudited - prepared by management)

		Three Months ended March 31 2005		Three Months ended March 31 2004
Amortization	$	712	$	2,371
Listing and regulatory fees		23,496		17,987
Management compensation		162,020		126,475
Office and general		89,540		33,944
Professional fees		34,034		87,503
Project evaluation		35,930		-
Shareholder and investor communications		52,706		61,983
Stock based compensation		1,241,000		-
Interest income		(53,108)		(80,728)
Loss for the period		(1,586,330)		(249,535)
Deficit, beginning of period		(9,235,020)		(8,555,893)
Deficit, end of period	$	(10,821,350)	$	(8,805,428)
Loss per share - basic and diluted	$	(0.02)	$	(0.00)
Weighted average number of common shares outstanding - basic and diluted		69,541,325		65,435,813

CANADIAN ZINC CORPORATION

Statements of Cash Flows
March 31, 2005
(unaudited - prepared by management)

	Three Months Ended March 31 2005	Three Months ended March 31 2004
Cash flows from (used in) operating activities		
Loss for the period	$ (1,586,330)	$ (249,535)
Adjustment for items not involving cash:		
- amortization	712	2,371
- stock based compensation	1,241,000	-
	(344,618)	(247,164)
Change in non-cash working capital items:		
- accounts receivable and prepaids	2,082	(61,298)
- accounts payable and accrued liabilities	5,517	49,567
	(337,019)	(258,895)
Cash flows from financing activities		
Proceeds from shares issued and subscribed, net of issuance costs	230,288	1,680,627
Cash flows used in investing activities		
Purchase of equipment	-	(17,681)
Payment of security deposit	(30,000)	
Exploration costs, excluding amortization and accretion	(177,520)	(71,263)
	(207,520)	(88,944)
Increase (decrease) in cash and cash equivalents	(314,251)	1,332,788
Cash and cash equivalents, beginning of period	12,907,997	13,339,442
Cash and cash equivalents, end of period	$ 12,593,746	$ 14,672,230

CANADIAN ZINC CORPORATION

Schedule of Deferred Exploration and Development Costs
March 31, 2005
(unaudited - prepared by management)

		Three Months ended March 31 2005		Three Months ended March 31 2004
Exploration and development costs				
Assaying and metallurgical	$	48,140	$	-
Camp operation		-		14,570
Lease Rental		7,343		43,070
Salaries and consulting – geology		113,033		10,077
Travel		9,004		3,546
		177,520		71,263
Amortization – asset retirement obligation		32,180		-
Amortization – Mining plant and equipment		9,179		-
Asset retirement accretion		18,554		-
		59,913		-
Total exploration costs for the period		237,433		71,263
Deferred exploration costs, beginning of period		12,105,654		9,746,618
Deferred exploration costs, end of period	$	12,343,087	$	9,817,881

1. Continued Operations

These interim financial statements have been prepared using the same accounting policies and methods of their application as the most recent annual financial statements of the Company. These interim financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2004. In management's opinion, all adjustments necessary for fair presentation have been included in these interim financial statements. Interim results are not necessary indicative of the results expected for the fiscal year. Certain comparative figures have been reclassified to conform to the current period's presentation.

2. Resource Interests

The Company's resource interests comprise the Prairie Creek Mine Property:

	March 31 2005	December 31 2004
Acquisition costs:		
- mining lands	$ 3,158,000	$ 3,158,000
- plant and mills	500,000	500,000
	3,658,000	3,658,000
Increase from asset retirement obligation	1,101,890	1,134,070
Exploration and development costs (see schedule)	12,343,087	12,105,654
	$ 17,102,977	$ 16,897,724

Prairie Creek Mine

The Company holds a 100% interest in the Prairie Creek Mine property, plant and equipment located in the Northwest Territories, Canada.

In 1994, the Company acquired a 100% interest, subject to a 2% net smelter royalty interest ("N.S.R."), in the property. The acquisition included a 60% interest in the plant and equipment located on the property with an option to acquire the remaining 40% interest. One-half of the 40% interest was to be transferred to the Company when N.S.R. payments totalled $3,200,000 and the remaining one-half interest when additional N.S.R. payments totalled $5,000,000, whereupon the N.S.R. terminated.

In early 2004, the Company entered into an agreement with Titan Logix Corp. (Titan) to purchase Titan's interest in the Prairie Creek Mine Property. Under The Agreement with Titan, the Company acquired the remaining 40% interest in the physical plant and equipment and repurchased the 2% NSR royalty. The consideration for the acquisition was the issuance to Titan of 300,000 common shares and 250,000 purchase warrants exercisable at $1.25 per share until June 22, 2005.

2. Resource Interests (Continued)

During 2003 the Company renewed two surface leases granted by the Federal Government relating to the operation and care and maintenance of the Prairie Creek Mine Property for a period of ten years terminating March 31, 2012. The Company paid $100,000 upon execution of the lease and is obligated to pay $30,000 per year for five years to a maximum of $250,000, (of which $190,000 was paid as at March 31, 2005) as a security deposit for the performance of abandonment and reclamation obligations under the leases.

On September 10, 2003 the Company was granted a Type A Land Use Permit and a Type B Water Licence for a period of five years commencing September 10, 2003 for underground development and exploration and for metallurgical testing, by the Mackenzie Valley Land and Water Board. Under the terms of the Land Use Permit and Water Licence the Company is obliged to contribute the amounts of $30,000 and $70,000, respectively, as security deposits for reclamation obligations.

In 1996, the Company concluded a Co-operation Agreement with the Nahanni Butte Dene Band (“Band”), part of the Deh Cho First Nations. In return for co-operation and assistance undertakings given by the Band towards the development of the Prairie Creek Project, the Company granted the following net profit interest and purchase option to the Band:

(i) A 5% annual net profits, before taxation, interest in the Prairie Creek Project, payable following the generation of profits after taxation equivalent to the aggregate cost of bringing the Prairie Creek Project into production and establishing the access road;

(ii) An option to purchase either a 10% or a 15% interest in the Prairie Creek Project at any time prior to the expiry of three months following permitting for the Project, for the cash payment of either $6 million or $9 million, subject to price adjustment for exploration expenditure and inflation, respectively.

On October 10, 2003 an appeal to the Federal Court was filed by the Nahanni Butte Dene Band, Pehdzeh Kl First Nation and the Deh Cho First Nations against the Mackenzie Valley Land and Water Board and the Company seeking judicial review of the decision of the Water Board to grant the Water Licence to the Company. At March 31, 2005 the Review had not been heard by the Court. Filing of these proceedings by the Nahanni Butte Dene Band is in breach of the Co-operation Agreement. The Nahanni Butte Dene Band has informed the Company that the Nahanni considers the Agreement terminated. Such termination is not in accordance with the provisions of the Agreement.

3. Plant and Equipment

	March 31, 2005			December 31 2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Mining equipment	$215,202	172,022	43,180	$ 46,681
Pilot plant	108,161	38,127	70,034	75,712
Furniture, fixtures & equipment	79,065	68,623	10,442	11,154
	$402,428	278,772	123,656	$ 133,547

4. Asset Retirement Obligation

	March 31 2005	December 31 2004
Opening balance – beginning of the period	$ 1,197,996	$ 117,990
Obligations re-measured during the year	-	1,043,189
Payment of security deposit	(30,000)	(30,000)
Accretion expense	18,554	66,817
Ending balance – end of the period	$ 1,186,550	$ 1,197,996

The Company's asset retirement obligation arises from its obligations to undertake site reclamation and remediation in connection with its operating activities. The security deposits which the Company has paid for these obligations have been recorded in Resource Interests (see note 2).

The total discounted amount of the estimated cash flows required to settle the asset retirement obligation is estimated to be $1,101,890 measured in 2004 dollars. While it is anticipated that some expenditures will be incurred during the life of the operation to which they relate, a significant component of this expenditure will only be incurred at the end of the mine life. In determining the carrying value of the asset retirement obligation, the Company has assumed a long term inflation rate of 2.5%, a credit-adjusted risk-free discount rate of 6.5% and a weighted average useful life of production facilities and equipment of ten years. Elements of uncertainty in estimating this amount include changes in the projected mine life, reclamation expenditures incurred during ongoing operations and reclamation and remediation alternatives.

5. Share Capital

Authorized: Unlimited common shares with no par value.

Issued:

	Number of Shares	Amount
Balance, December 31, 2004	69,394,942	$ 37,789,923
Warrants exercised at $0.60 per share	383,813	230,288
Balance, March 31, 2005	69,778,755	$38,020,211

Stock Options/Stock Based Compensation

In January 2005, pursuant to the Company's 10% Rolling Stock Option Plan, the Company granted stock options to purchase an aggregate of 3,650,000 common shares at $0.60 per share to directors, officers, consultants and service providers of the Company. These stock options vest immediately and expire in five years on January 14, 2010. Each option entitles the holder to acquire one common share of the Company.

The weighted average fair value of the options granted in 2005 was estimated at $0.34 per share by using the Black-Scholes Option Pricing Model with the following weighted average assumptions: risk-free interest rate of 3.5%, dividend yield of 0%, volatility of 83% and expected life of 5 years. An expense of $1,241,000, in respect of stock based compensation, was charged to operations.

The Black-Scholes model was developed for use in estimating the fair value of freely traded options which are fully transferable and have no vesting restrictions. In addition, this model requires the input of highly subjective assumptions, including future stock price volatility and expected time until exercise. The Company's options have characteristics which are significantly different from those of traded options, and changes in any of the assumptions can materially affect fair value estimate.

A summary of the Company's stock option plans as at March 31, 2005 is presented below:

	Shares	Weighted Average Exercise Price
Options outstanding and exercisable at December 31, 2004	450,000	$ 0.23
Granted	3,650,000	$ 0.60
Options outstanding and exercisable at March 31, 2005	4,100,000	$ 0.56

5. Share Capital (Continued)

Warrants

A summary of the Company's warrants issued and outstanding as at March 31, 2005:

	Number of Warrants
Balance, December 31, 2004	7,284,065
Warrants exercised at $0.60 per share	(383,813)
Balance, March 31, 2005	6,900,252

Number of Warrants	Exercise Price Per Warrant	Expiry Date
3,625,252	$0.60	May 10, 2005
3,275,000	$1.25	June 22, 2005
6,900,252		

6. Related Party Transactions

The Company incurred the following executive and director compensation, and expenses, paid directly or to corporations controlled by the executives/directors:

	March 31 2005	March 31 2004
Executive and director compensation	$ 92,900	$ 120,694
Rent	3,000	-
	$ 95,900	$ 120,694

7. Non-cash Transactions

In the period ended March 31, 2005, the Company had no non-cash transactions.