CANADIAN ZINC CORPORATION

Unaudited Financial Statements

June 30, 2005

These financial statements are unaudited and

have not been reviewed by an auditor

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CANADIAN ZINC CORPORATION

Balance Sheets
June 30, 2005
(unaudited - prepared by management)

	June 30 2005 (unaudited)	December 31 2004 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 12,016,277	$ 12,907,997
Accounts receivable and prepaids	133,593	24,711
	12,149,870	12,932,708
Resource interests (Note 2)	17,423,500	16,897,724
Plant and equipment (Note 3)	124,364	133,547
	$ 29,697,734	$ 29,963,979
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 173,665	$ 175,080
Property closure and abandonment provision (Note 4)	1,205,104	1,197,996
	1,378,769	**1,373,076**
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	38,023,211	37,789,923
Contributed surplus (Note 5)	1,277,000	36,000
Deficit	(10,981,246)	(9,235,020)
	28,318,965	28,590,903
	$ 29,697,734	$ 29,963,979

Approved by the Directors:

"John F. Kearney"	*"Robert Gayton"*
John F. Kearney	Robert J. Gayton

CANADIAN ZINC CORPORATION
June 30, 2005
Statements of Operations and Deficit
(Unaudited – prepared by management)

	Three months ended June 30 2005	Three months ended June 30 2004	Six months ended June 30 2005	Six months ended June 30 2004
Income				
Interest income	$ (75,812)	$ (83,635)	$ (128,921)	$ (164,364)
Expenses				
Amortization	812	189	1,524	2,560
Listing and regulatory	34,168	25,301	73,353	59,354
Management and Directors fees	50,800	30,200	205,200	150,894
Office & General	41,842	46,117	138,959	85,842
Professional fees	37,664	50,479	71,698	137,982
Project evaluation	36,991	-	72,921	-
Shareholder and Investor communications	33,431	66,649	70,492	112,567
Stock based compensation (Note 5)	-	-	1,241,000	-
Loss for the period	(159,896)	(135,300)	(1,746,226)	(384,835)
Deficit, beginning of period	(10,821,350)	(8,805,428)	(9,235,020)	(8,555,893)
Deficit, end of period	**$** (10,981,246)	**$** (8,940,728)	$ (10,981,246)	$ (8,940,728)
Loss per share - basic and diluted	$ (0.00)	$ (0.00)	$ (0.03)	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	69,782,088	68,384,292	69,661,707	66,917,724

CANADIAN ZINC CORPORATION
June 30, 2005
Statements of Cash Flows
(Unaudited – prepared by management)

	Three months ended June 30 2005	Three months ended June 30 2004	Six months ended June 30 2005	Six months Ended June 30 2004
Cash flows from (used in) operating activities				
Loss for the period	$ (159,896)	$ (135,300)	$ (1,746,226)	$ (384,835)
Adjustment for item not involving cash:				
- Amortization	812	189	1,524	2,560
- Stock based compensation	-	-	1,241,000	-
	(159,084)	(135,111)	(503,702)	(382,275)
Change in non-cash working capital items:				
- Accounts receivable	(110,964)	(103,003)	(108,882)	(164,301)
- Accounts payable and accrued liabilities	(6,932)	(93,195)	(1,415)	(43,628)
	(276,980)	(331,309)	(613,999)	(590,204)
Cash flows from financing activities				
Shares issued for cash	3,000	235,735	233,288	1,916,362
Cash flows (used in) investing activities				
Purchase of equipment	(11,182)	(10,723)	(11,182)	(28,404)
Payment of security deposit	-	-	(30,000)	-
Exploration and development costs excluding amortization	(292,307)	(471,506)	(469,827)	(542,769)
	(303,489)	(482,229)	(511,009)	(571,173)
Increase (decrease) in cash and cash equivalents	(577,469)	(577,803)	(891,720)	754,985
Cash and cash equivalents, beginning of period	12,593,746	14,672,230	12,907,997	13,339,442
Cash and cash equivalents, end of period	$ 12,016,277	$ 14,094,427	$ 12,016,277	$ 14,094,427

CANADIAN ZINC CORPORATION

June 30, 2005

Schedule of Deferred Exploration and Development Costs

(unaudited - prepared by management)

	Three months ended June 30 2005	Three months ended June 30 2004	Six months ended June 30 2005	Six months Ended June 30 2004
Exploration and development costs				
Assaying and metallurgical	$ 38,681	$ 6,064	$ 86,821	$ 6,064
Camp operation	6,013	63,651	6,013	78,221
Insurance	30,250	31,150	30,250	31,150
Lease rental	-	31,251	7,343	74,321
Salaries and consulting - geology	195,369	254,456	308,402	264,533
Travel	21,994	84,934	30,998	88,480
	292,307	471,506	469,827	542,769
Amortization – asset retirement obligation	32,180	-	64,360	-
Amortization – mining plant and equipment	9,662	1,627	18,841	2,718
Amortization – asset retirement accretion	18,554	-	37,108	-
	60,396	-	120,309	-
Total exploration and development costs for the period	352,703	473,133	590,136	545,487
Deferred exploration and development costs, beginning of period	12,343,087	9,818,972	12,105,654	9,746,618
Deferred exploration and development costs, end of period	$ 12,695,790	$ 10,292,105	$ 12,695,790	$ 10,292,105

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 necessarily 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:

	June 30 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	1,069,710	1,134,070
Exploration and development costs (see schedule)	12,695,790	12,105,654
	$ 17,423,500	$ 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 [warrants have expired see Note 5].

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 June 30, 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. 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.

On May 6, 2005 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 *Mackenzie Valley Resource Management Act ("MVRMA")*. In a written decision the Supreme Court overturned the earlier decision of the Mackenzie Valley Land and Water Board that the development proposal to use the winter road must undergo preliminary screening and, if applicable, an environmental assessment and environmental impact review by the Mackenzie Valley Environmental Impact Review Board. Canadian Zinc had appealed to the Supreme Court seeking judicial review of that decision of the Water Board. 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.

3. Plant and Equipment

	June 30, 2005			December 31 2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Mining equipment	$ 222,384	$ 176,005	$ 46,379	$ 46,681
Pilot plant	108,161	43,806	64,356	75,712
Furniture, fixtures & equipment	83,065	69,435	13,629	11,154
	$413,610	$ 289,246	$ 124,364	$ 133,547

4. Asset Retirement Obligation

	June 30 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	37,108	66,817
Ending balance – end of the period	$ 1,205,104	$ 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 $1,069,710 measured in 2005 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, March 31, 2005	69,778,755	$38,020,211
Warrants exercised at $0.60 per share	5,000	3,000
Balance, June 30, 2005	69,783,755	$38,023,211

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.

	Shares	Weighted Average Exercise Price
Options outstanding and exercisable at June 30, 2005	4,100,000	$ 0.56

The Company did not grant any stock options in the quarter ended June 30, 2005.

5. Share Capital (Continued)

Warrants

A summary of the Company's warrants issued and outstanding as at June 30, 2005:

	Number of Warrants
Balance, March 31, 2005	6,900,252
Warrants exercised at $0.60 per share	(5,000)
Warrants expired ($0.60-$1.25)	(6,895,252)
Balance, June 30, 2005	Nil

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:

	Three months ended June 30 2005	Three months ended June 30 2004	Six months ended June 30 2005	Six months ended June 30 2004
Executive and Director compensation	$ 85,150	$ 55,708	$ 178,050	$ 176,402
Rent	3,000	0	6,000	0
	$ 88,150	$ 55,708	$ 184,050	$ 176,402

7. Non-cash Transactions

In the period ended June 30, 2005, the Company had no non-cash transactions.