



ZINCORE METALS INC.

Consolidated Financial Statements

For the Year Ended December 31, 2007 and Nine Months Ended December 31, 2006



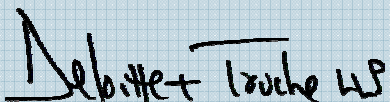
AUDITORS' REPORT

To the Shareholders of Zincore Metals Inc.

We have audited the consolidated balance sheets of Zincore Metals Inc. as at December 31, 2007 and 2006 and the consolidated statements of loss, comprehensive loss, deficit and cash flow for the year ended December 31, 2007 and nine month period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the year ended December 31, 2007 and nine month period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.



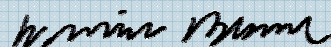
CHARTERED ACCOUNTANTS
Vancouver, British Columbia
March 10, 2008

CONSOLIDATED BALANCE SHEETS

	December 31, 2007	December 31, 2006
ASSETS		
Current		
Cash and cash equivalents	\$ 8,395,468	\$ 17,672,092
Prepays, advances and other receivables	157,176	127,230
	8,552,644	17,799,322
Other assets		
Other assets	65,435	75,340
Exploration advances and other receivables	141,888	39,702
Property, plant and equipment NOTE 4	229,810	120,867
Mineral properties NOTE 5	11,873,927	3,891,946
	\$ 20,863,704	\$ 21,927,177
LIABILITIES		
Current		
Accounts payable and accrued charges	\$ 379,089	\$ 450,314
Due to affiliated companies	11,046	56,066
	390,135	506,380
SHAREHOLDERS' EQUITY		
Share capital NOTE 6(b)	23,961,364	22,287,531
Contributed surplus NOTE 6(b)	1,359,234	828,294
Deficit	(4,847,029)	(1,695,028)
	20,473,569	21,420,797
	\$ 20,863,704	\$ 21,927,177

See accompanying notes to consolidated financial statements

APPROVED BY THE BOARD



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CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT



	Year ended December 31, 2007	Nine months ended December 31, 2006
EXPENSES		
General exploration	\$ 1,245,207	\$ 475,417
Consulting and management fees	998,469	720,749
Office expense	614,628	210,889
Foreign exchange loss (gain)	451,396	(12,155)
Legal and accounting	124,104	74,808
Shareholder information	150,513	130,605
Travel	53,992	76,807
Amortization	8,231	332
Property costs written off	2,611	-
Loss before undernoted item	(3,649,151)	(1,677,452)
Interest and other income	497,150	111,149
Net loss and comprehensive loss for the period	(3,152,001)	(1,566,303)
Deficit at beginning of period	(1,695,028)	(128,725)
Deficit at end of period	\$ (4,847,029)	\$ (1,695,028)
Loss per share – basic and diluted	\$ (0.04)	\$ (0.06)
Weighted average number of shares outstanding	77,251,683	24,401,455

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended December 31, 2007	Nine months ended December 31, 2006
OPERATING ACTIVITIES		
Net loss for the period	\$ (3,152,001)	\$ (1,566,303)
Items not involving cash		
Mineral property costs written off	2,611	-
Amortization	8,231	332
Stock-based compensation	941,723	433,094
	(2,199,436)	(1,132,877)
Change in non-cash operating working capital items		
Increase in prepaids, advances and other receivables	(20,041)	(127,230)
(Decrease) increase in accounts payable and accrued charges	(98,858)	172,218
Cash used in operating activities	(2,318,335)	(1,087,889)
INVESTING ACTIVITIES		
Additions to other assets	-	(75,340)
Additions to property, plant and equipment	(163,964)	(77,010)
Mineral property expenditures	(8,057,376)	(1,409,181)
Cash used in investing activities	(8,221,340)	(1,561,531)
FINANCING ACTIVITY		
Shares issued	1,263,051	20,080,255
Cash provided by financing activity	1,263,051	20,080,255
(Decrease) increase in cash and cash equivalents during the period	(9,276,624)	17,430,835
Cash and cash equivalents at beginning of period	17,672,092	241,257
Cash and cash equivalents at end of period	\$ 8,395,468	\$ 17,672,092
Cash and cash equivalents consist of:		
Cash	\$ 2,436,910	\$ 12,672,936
Short-term investments	5,958,558	4,999,156
Cash and cash equivalents at end of period	\$ 8,395,468	\$ 17,672,092
Non-cash investing and financing item:		
Debt owing to Southwestern settled for 36,599,999 common shares	\$-	\$ 4,402,476
Interest paid	244	11,884
Interest received	477,616	96,051

See accompanying notes to consolidated financial statements



ZINCORE METALS INC.

For the year ended December 31, 2007 and nine months ended December 31, 2006

1/ DESCRIPTION OF BUSINESS

Zincore Metals Inc. ("Zincore" or the "Company") is an exploration stage junior mining company engaged in the identification, acquisition, evaluation, exploration and development of zinc properties in Peru and elsewhere.

The Company was incorporated as Peru Zinc Corporation on September 21, 2005 in the Province of British Columbia as a 100% owned subsidiary of Southwestern Resources Corp. ("Southwestern"). The Company subsequently changed its name to Southern Zinc Corporation on April 26, 2006 and to Zincore Metals Inc. on June 5, 2006. In November 2006 Zincore completed an initial public offering of 40 million common shares for gross proceeds of \$20 million and commenced trading on the Toronto Stock Exchange ("TSX").

The Company has sufficient working capital in the near term to fund ongoing exploration and development, however, the Company is dependent on raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake further exploration and development of its mineral properties.

The Company has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred costs is dependent upon proving economically recoverable mineral reserves, obtaining necessary financing to complete the development of such mineral reserves and attaining profitable production or proceeds from disposition.

2/ CHANGE IN ACCOUNTING POLICIES

Effective as of January 1, 2007 the Company has adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 – Financial Instruments – Recognition and Measurement, CICA Handbook Section 3861 Financial Instruments – Disclosure and Presentation, CICA Handbook Section 1530 – Comprehensive Income, CICA Handbook Section 3865 – Hedges, and CICA Handbook Section 3251 - Equity. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements.

In accordance with CICA Handbook Section 3855, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans

and receivables, or other financial liabilities. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized on the statement of loss. Transaction costs are expensed as incurred.

Upon adoption of this new standard, the Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Exploration advances and other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued charges are classified as other financial liabilities, which are measured at amortized cost. As at December 31, 2007 the Company did not have any financial assets classified as available-for-sale and therefore, the adoption of this standard had no effect on the presentation of the Company's financial statements.

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with CICA Handbook Section 1530, the Company is required to report a statement of comprehensive income and a new category, accumulated other comprehensive income, in the shareholders' equity section of the balance sheet. The components of this new category include unrealized gains and losses on financial assets classified as available-for-sale. The Company had no "other comprehensive income or loss" transactions during the year ended December 31, 2007 and no opening or closing balances for "accumulated comprehensive income or loss" and therefore, the adoption of the standards noted above had minimal effect on the presentation of the Company's financial statements.

3/ SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The consolidated financial statements are prepared based upon Canadian generally accepted accounting principles. The financial statements of entities which are controlled by the Company through voting equity interests, referred to as subsidiaries, are consolidated. The Company assessed variable

interest entities and identified none. All intercompany balances and transactions have been eliminated upon consolidation.

b) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates where management's judgment is applied include asset valuations, income taxes, stock-based compensation and contingent liabilities. Actual results may differ from those estimates.

c) Financial Instruments

The Company classifies its financial instruments into one of the following categories: held-for-trading (assets and liabilities), available-for-sale (assets), loans and receivables, held-to-maturity (assets) and other financial liabilities. All financial instruments are measured at fair value on initial recognition.

d) Cash and Cash Equivalents

Cash and cash equivalents include those short-term money market instruments which, on acquisition, have a term to maturity of three months or less.

e) Mineral Properties

Mineral properties and related exploration and development costs are recorded at cost on a property-by-property basis. Costs incurred for general exploration that are not project specific or do not result in the acquisition of mineral properties and preliminary exploration to assess mineral properties are expensed as incurred. Management periodically reviews the underlying value of mineral properties. If impairment is determined to exist, the mineral property will be written down to its net realizable value. The recoverability of the amounts capitalized for mineral properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof. It is reasonably possible that changes could occur that would adversely affect management's estimates and, therefore, result in future write-downs of capitalized mineral property amounts.

f) Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Amortization is computed using the declining-balance method based on annual rates as follows:

Office and other equipment	20%
Computer equipment	30%
Leasehold Improvements	straight-line over 4 years
Vehicles	30%

g) Asset Retirement Obligation

The Company follows the CICA's Handbook Section 3110 "Asset Retirement Obligations" which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. The standards apply to legal obligations associated with the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. The standards require that a liability for an asset retirement obligation be recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost should be recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated normal future value. Management has determined that it has no asset retirement obligations at this time.

h) Future Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income taxes are recorded for the temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities. These future taxes are measured by the provisions of currently substantively enacted tax laws. Management believes that it is not sufficiently likely that the Company will generate sufficient taxable income to allow the realization of future tax assets and therefore the Company has fully provided for these tax assets.

i) Foreign Currency Translation

The Company's functional currency is the Canadian dollar. The Company's foreign subsidiaries are considered to be integrated operations. Accordingly, the Company utilizes the temporal method to translate the financial statements of these subsidiaries into Canadian dollars. All foreign currencies are translated into Canadian dollars using weighted average rates for the period for items included in the consolidated statements of loss, comprehensive loss and deficit, the rate in effect at the balance sheet date for monetary assets and liabilities, and historical rates for other assets included in the consolidated balance sheets. Translation gains or losses are included in the determination of income.

j) Stock-based Compensation

Compensation expense for stock options granted is determined based on the estimated fair value of the stock options at the time of grant, the cost of which is recognized over the vesting periods of the respective stock options. The fair value of all stock-based awards is estimated using the Black-Scholes model.

k) Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net income (loss) (the numerator) by the weighted average number of outstanding common shares for the period (the denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants using the treasury stock method. In periods where a net loss is reported, fully diluted loss per share is not presented, as it is anti-dilutive.

l) Comparative Figures

As described below, certain of the prior year's figures have been reclassified to conform to the current year presentation.

The Company previously presented stock-based compensation expense as a separate line item within the expenses section of the statement of loss, comprehensive loss and deficit. For the year ended December 31, 2007 the Company now presents stock-based compensation expense within the same financial statement line items as the cash compensation paid (note 6(c) and has reclassified the prior year figures to conform to this presentation.

m) Recent Accounting Pronouncements

In June 2007, the CICA issued changes to Section 1400, General Standards of Financial Statement Presentation. Section 1400 has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. Management shall make an assessment of an entity's ability to continue as a going concern. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern. Section 1400 is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. Earlier adoption is encouraged. The adoption of this standard will have no impact on the Company's operating results or financial position and management expects that there will not be a

material impact on the Company's financial statement disclosure.

In December 2006, the CICA issued Section 1535, Capital Disclosures. The main features of the new Section are as follows:

- Requirements for an entity to disclose qualitative information about its objectives, policies and processes for managing capital;
- A requirement for an entity to disclose quantitative data about what it regards as capital; and
- A requirement for an entity to disclose whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance.

Section 1535 is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The adoption of this standard will have no impact on the Company's operating results or financial position and management is currently in the process of evaluating the impact that these additional disclosure standards will have on the Company's financial statements.

In December 2006, the CICA issued Handbook Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. Section 3862 modifies the disclosure requirements of Section 3861 and requires entities to provide disclosures in their consolidated financial statements that enable users to evaluate the significance of financial instruments on the entity's consolidated financial position and performance, and the nature and extent of risks arising from financial instruments and non-financial derivatives. Section 3863, Financial Instruments – Presentation carries forward unchanged the presentation requirements for financial instruments of Section 3861, Financial Instruments – Disclosures and Presentation. Sections 3862 and 3863 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after October 1, 2007.

4/ PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	Net book value
As at December 31, 2007			
Office and other equipment	\$ 103,436	\$ 17,061	\$ 86,375
Computer equipment	133,174	29,646	103,528
Leasehold improvements	6,177	891	5,286
Vehicles	61,941	27,320	34,621
	<u>\$ 304,728</u>	<u>\$ 74,918</u>	<u>\$ 229,810</u>
As at December 31, 2006			
Office and other equipment	\$ 50,572	\$ 2,673	\$ 47,899
Computer equipment	28,251	2,195	26,056
Vehicles	61,941	15,029	46,912
	<u>\$ 140,764</u>	<u>\$ 19,897</u>	<u>\$ 120,867</u>

Amortization relating to exploration related assets in the amount of \$46,790 (December 31, 2006 - \$18,051) has been allocated to mineral properties during the year.

5 / MINERAL PROPERTIES

a) For the year ended December 31, 2007, significant expenditures were:

	Accha-Yanque	Minasccasa	Sayani	Condorini	Total
Balance, beginning of period	\$ 3,082,814	\$ 737,568	\$ 55,393	\$ 16,171	\$ 3,891,946
Property, acquisition and maintenance	10,219	12,217	—	38,475	60,911
Analytical	208,920	—	—	1,387	210,307
Geology	1,295,620	—	—	45,286	1,340,906
Drilling	3,867,922	—	—	—	3,867,922
Technical and engineering	1,938,490	—	—	—	1,938,490
Research	33,691	—	—	—	33,691
Project administration	526,430	1,046	—	4,889	532,365
Property costs written off	(2,611)	—	—	—	(2,611)
Balance, end of period	\$ 10,961,495	\$ 750,831	\$ 55,393	\$ 106,208	\$ 11,873,927

b) For the nine-month period ended December 31, 2006, significant expenditures were:

	Accha-Yanque	Minasccasa	Sayani	Condorini	Total
Balance, beginning of period	\$ 1,381,968	\$ 714,553	\$ 13,867	\$ —	\$ 2,110,388
Property, acquisition and maintenance	248,389	16,865	13,494	6,927	285,675
Analytical	68,939	—	225	2,250	71,414
Geology	1,041,415	6,150	27,807	3,610	1,078,982
Drilling	279,089	—	—	—	279,089
Research	41,021	—	—	—	41,021
Project administration	21,993	—	—	3,384	25,377
Balance, end of period	\$ 3,082,814	\$ 737,568	\$ 55,393	\$ 16,171	\$ 3,891,946

Zincore acquired the Accha-Yanque, Sayani and Minasccasa properties from Southwestern through the issuance of common shares as described further in note 6. The Company subsequently increased its mineral concession holdings contiguous to the Accha-Yanque and Minasccasa properties.

interest to 70% by incurring exploration expenditures of US\$2,500,000 over the following two years and increase its interest to 80% by incurring exploration expenditures of US\$4,000,000 in the subsequent four years.

Zincore has no outstanding or deferred acquisition costs or required exploration or development expenditures associated with these properties other than payments required under Peruvian law to maintain the mineral concessions in good standing.

6 / SHARE CAPITAL

a) Common and preferred shares

In October 2006, the Company entered into a letter agreement to earn an interest in the Cerro Condorini property from Brett Resources and on February 22, 2007 definitive agreements were executed. The Company can earn a 60% interest by incurring US\$1,500,000 in exploration expenditures and making US\$75,000 in payments over three years. The first year exploration expenditure of US\$200,000 and payment of US\$25,000 are required expenditures. To date the Company has made the required \$25,000 payment and has incurred \$82,431 in qualifying expenditures towards the \$200,000 commitment that must be completed by May 28, 2008. The company has additional options to increase its

The authorized share capital of the Company consists of an unlimited number of common shares without par value; an unlimited number of first preferred shares without par value; and an unlimited number of second preferred shares without par value.

b) During the year ended December 31, 2007, changes in issued share capital were as follows:

	Number of common shares	Amount	Contributed Surplus		Number of options	Weighted average exercise price
At inception	1	\$ 1	\$ -	Year ended December 31, 2007		
Public offering (net of share issue costs - \$2,114,946)	40,000,000	17,885,054	-	Outstanding at beginning of year	3,098,000	\$ 0.50
Issued in exchange for debt	36,599,999	4,402,476	-	Granted	2,146,000	\$ 0.72
Stock-based compensation	-	-	433,094	Exercised	(54,833)	\$ 0.51
Warrants issued	-	-	395,200	Cancelled or expired	(176,167)	\$ 0.54
At December 31, 2006	76,600,000	\$ 22,287,531	\$ 828,294	Outstanding at end of year	5,013,000	\$ 0.59
Exercise of warrants	2,470,000	1,630,200	(395,200)	Exercisable at end of year	3,149,977	\$ 0.57
Exercise of options	54,833	43,633	(15,583)			
Stock-based compensation	-	-	941,723	Nine-month period ended December 31, 2006		
At December 31, 2007	79,124,833	\$ 23,961,364	\$ 1,359,234	Outstanding at beginning of period	--	--

On August 23, 2006 the Company issued 31,999,999 million common shares to Southwestern in exchange for the settlement of \$2,902,476 of the amounts due to Southwestern and its subsidiaries and for the transfer of certain zinc mineral properties and zinc-related geological, geochemical and geophysical exploration data in China from Southwestern to the Company at historical book value.

On August 24, 2006 Southwestern elected to convert a \$200,000 convertible loan into 2,000,000 shares of the Company as final settlement for all obligations outstanding under the loan agreement. Accrued interest was waived.

At October 17, 2006 the Company had drawn \$1,300,000 under the terms of a bridge loan agreement with Southwestern. On that date the Company elected to repay the principal amount of the bridge loan through the issuance of 2,600,000 common shares to Southwestern. Accrued interest totaling \$11,884 was paid in cash.

On November 8, 2006 the Company closed its Initial Public Offering whereby it raised gross proceeds of \$19,000,000 by issuing 38,000,000 common shares at a price of \$0.50 per share. The Company granted the underwriters a 30-day option, which was subsequently exercised, to purchase an additional 2,000,000 common shares at a price of \$0.50 per share to cover over-allotments. As a result of the exercise the Company received additional gross proceeds of \$1,000,000. The Company paid the underwriters a cash commission of 6.5% of the gross proceeds of the offering and granted to the underwriters warrants to acquire up to 6.5% of the total number of common shares issued pursuant to the offering as detailed further in note 6(d).

c) Stock Options

The Company established a stock option plan (the "Plan") and 10% of the number of common shares issued and outstanding are reserved for issuance under the Plan.

At December 31, 2007 there were 5,013,000 stock options outstanding, of which 3,149,977 are exercisable.

	Number of options	Weighted average exercise price
Year ended December 31, 2007		
Outstanding at beginning of year	3,098,000	\$ 0.50
Granted	2,146,000	\$ 0.72
Exercised	(54,833)	\$ 0.51
Cancelled or expired	(176,167)	\$ 0.54
Outstanding at end of year	5,013,000	\$ 0.59
Exercisable at end of year	3,149,977	\$ 0.57
	Number of options	Weighted average exercise price
Nine-month period ended December 31, 2006		
Outstanding at beginning of period	--	--
Granted	3,098,000	\$ 0.50
Outstanding at end of period	3,098,000	\$ 0.50
Exercisable at end of period	1,105,669	\$ 0.50

Exercise Price Range	Number of options outstanding	Number of options exercisable	Weighted-average remaining years of contractual life
\$0.50-\$0.59	2,904,000	2,058,997	3.80
\$0.60-\$0.69	1,304,000	810,983	4.29
\$0.70-\$0.79	800,000	277,497	4.46
\$0.80-\$0.89	5,000	2,500	4.47
\$0.50-\$0.89	5,013,000	3,149,977	4.03

As a result of stock options vesting and the amortization of previous grants during the year ended December 31, 2007, the Company recognized \$941,723 (2006 – \$433,094) as stock-based compensation expense and recorded this amount in contributed surplus. These amounts were recorded as follows:

	Year ended December 31, 2007	Nine months ended December 31, 2006
Consulting and management fees	\$422,007	\$221,022
General exploration	298,905	85,498
Office expense	220,811	126,574
Total	\$941,723	\$433,094

The value of the stock options granted during the year ended December 31, 2007 and nine-month period ended December 31, 2006 was determined using the Black-Scholes option pricing model. A weighted average grant-date fair value of \$0.36 (2006 - \$0.28) for each option granted was estimated using the following weighted average assumptions: no dividends are to be paid; volatility of 70% (2006 – 79%); risk free interest rate of 4.1% (2006 – 3.9%); and expected life of 3.5 years (2006 – 3.5 years).

d) Warrants

As at December 31, 2007, 2,470,000 warrants relating to its IPO were exercised into common shares for proceeds of \$1,235,000 and the Company had no remaining warrants outstanding.

As at December 31, 2006, the Company had 2,470,000 warrants outstanding with an exercise price of \$0.50 per warrant and an expiry date of November 7, 2007. The warrants were valued at \$395,200 using the Black-Scholes pricing model and that amount is included in share issue costs and contributed surplus. The valuation assumptions used were the same as those used in calculating stock-based compensation for 2006 as described in note 6(c) except for the estimated life being 1 year instead of 3.5 years.

7 / INCOME TAXES

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

	December 31, 2007	December 31, 2006
Canadian statutory federal income tax rate	34%	34%
Recovery of income taxes computed at statutory rates	\$ 1,075,000	\$ 534,000
Non-deductible expenses	(340,000)	(148,000)
Effect of lower tax rates of foreign jurisdictions	(105,000)	(16,000)
Valuation allowance	(630,000)	(370,000)
Income tax provision	\$ -	\$ -

The appropriate tax effect of each type of temporary difference that gives rise to the Company's future income tax assets are as follows:

	December 31, 2007	December 31, 2006
Operating loss carry forwards	\$ 1,060,000	\$ 10,000
Share issue costs	343,000	-
Excess of book over tax value of assets	9,000	-
Less: Valuation allowance	(1,412,000)	(10,000)
Net future income tax liability	\$ -	\$ -

At December 31, 2007 the Company had loss carry forwards available for tax purposes totalling \$2,518,504 in Canada expiring in 2026 and 2027, \$1,252,761 in Peru, and \$23,646 in Chile.

At December 31, 2006 the Company had loss carry forwards available for tax purposes totalling \$1,194,996 in Canada expiring in 2026 and \$399,563 in Peru.

8 / SEGMENTED INFORMATION

The Company operates in one reportable operating segment, the acquisition and exploration of mineral properties. The Company has non-current assets in the following geographic locations:

	As at December 31, 2007	As at December 31, 2006
Peru	\$ 12,201,014	\$ 4,051,035
Canada	110,046	76,820
	\$ 12,311,060	\$ 4,127,855

9 / RELATED PARTY TRANSACTIONS

During the year ended December 31, 2007 and nine-month period ended December 31, 2006, the Company paid its affiliate Southwestern and its subsidiary under the terms of two separate administrative services agreements for certain accounting, corporate secretarial and administrative services in Canada and Peru. In addition, during the same periods, the Company paid remuneration for management services to a company controlled by a director in common as follows:

	Year ended December 31, 2007
Administrative services agreements	\$ 249,498
Remuneration paid to a company controlled by a director	\$ 145,000
	Nine-month period ended December 31, 2006
Administrative services agreements	\$ 239,633
Remuneration paid to a company controlled by a director	\$ 87,840

As at December 31, 2007, there was an amount owing to Southwestern and its subsidiary totalling \$11,046 (December 31, 2006, \$56,066) for miscellaneous services provided outside of the scope of the administrative services agreements. All related party transactions are measured at the exchange amount which is the consideration agreed to between the parties.

CORPORATE INFORMATION

DIRECTORS

W David Black
Chair
Timo Jauristo
Rex McLennan
Myron Osatenko
Henry Giegerich

OFFICERS

Timo Jauristo
President and CEO
Gregory Martin
VP and CFO
Gregory McCunn
VP Project
Development
Vernon Arseneau
VP Exploration
Susy Horna
Corporate Secretary

**NOTICE OF ANNUAL
MEETING**

Monday, May 5, 2008
10am PDT
Four Seasons Hotel
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