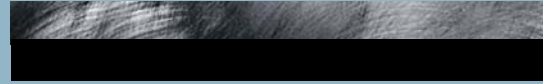




# ZINCORE METALS INC.

## **Consolidated Financial Statements**

For the quarter ended March 31, 2007



CONSOLIDHATED BALANCE SHEETS  
(UNAUDITED)

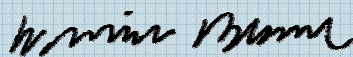
ZINCORE METALS INC.

TO THE SHARE HOLDERS OF ZINCORE METALS INC

	March 31, 2007	December 31, 2006
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 15,378,248	\$ 17,672,092
Advances and other receivables	170,843	166,932
	<b>15,549,091</b>	17,839,024
Other assets		
Property, plant and equipment <small>NOTE 3</small>	75,340	75,340
Mineral properties <small>NOTE 4</small>	145,897	120,867
	<b>5,773,560</b>	3,891,946
	<b>\$21,543,888</b>	<b>\$ 21,927,177</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued charges	\$ 595,867	\$ 450,314
Due to affiliated companies	65,742	56,066
	<b>661,609</b>	506,380
<b>SHAREHOLDERS' EQUITY</b>		
Share capital <small>NOTE 5</small>	22,287,531	22,287,531
Contributed surplus <small>NOTE 5</small>	1,164,196	828,294
Deficit	<b>(2,569,448)</b>	(1,695,028)
	<b>20,882,279</b>	21,420,797
	<b>\$21,543,888</b>	<b>\$ 21,927,177</b>

See accompanying notes to consolidated financial statements

APPROVED BY THE BOARD



W DAVID BLACK



TIMO JAURISTO

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT  
(UNAUDITED)

ZINCORE METALS INC.

	Three months ended March 31, 2007	Three months ended March 31, 2006
<b>EXPENSES</b>		
Consulting and management fees	\$ 313,056	\$ 6,943
General exploration	341,247	3,390
Foreign exchange loss (gain)	34,128	(4,137)
Legal and accounting	37,720	22,350
Shareholder information	55,604	-
Office expense	232,589	186
Travel	11,246	-
Loss before undernoted items	(1,025,590)	(28,732)
Interest and other income	151,170	640
Net loss for the period	(874,420)	(28,092)
Deficit at beginning of period	(1,695,028)	(252)
Related party transaction	-	(100,381)
Deficit at end of period	\$ (2,569,448)	\$ (128,725)
Loss per share – basic and diluted	\$ (0.01)	N/A
Weighted average number of shares outstanding	76,600,000	1

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOW  
(UNAUDITED)

ZINCORE METALS INC.

	Three months ended March 31, 2007	Three months ended March 31, 2006
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (874,420)	\$ (28,092)
Items not involving cash		
Depreciation	347	—
Stock-based compensation	335,902	—
	(538,171)	(28,092)
Change in non-cash operating working capital items		
Increase in advances and other receivables	(1,805)	—
Increase in accounts payable and accrued charges	22,662	—
Cash used in operating activities	(517,314)	(28,092)
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(33,662)	(63,753)
Mineral property expenditures	(1,742,868)	(80,955)
Cash used in investing activities	(1,776,530)	(144,708)
<b>FINANCING ACTIVITIES</b>		
Loans from affiliated company	—	413,907
Cash provided by financing activities	—	413,907
Increase in cash and cash equivalents during the period	(2,293,844)	241,107
Cash and cash equivalents at beginning of period	17,672,092	150
Cash and cash equivalents at end of period	\$ 15,378,248	\$ 241,257
Cash and cash equivalents consist of:		
Cash	\$ 10,302,932	\$ 241,257
Short-term investments	5,075,316	—
	\$ 15,378,248	\$ 241,257

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

ZINCORE METALS INC.

For the three months ended March 31, 2007 and March 31, 2006

1/ BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and follow the same accounting policies and methods of application as the most recent annual consolidated financial statements dated December 31, 2006, except for the items discussed in note 2 below. These financial statements should be read in conjunction with those annual financial statements and notes thereto. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in Canada for complete financial statements. In the opinion of management, all adjustments (consisting primarily of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the three month periods ended March 31, 2007 and 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

2/ CHANGES IN ACCOUNTING POLICIES

Effective as of January 1, 2007, the Company adopted two new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

a) Comprehensive income (CICA Handbook Section 1530)

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 this new standard, the Company reports a consolidated statement of comprehensive income and a new category, accumulated other comprehensive income, is added to the shareholders' equity section of the consolidated balance sheet for any unrealized gains and losses in financial assets classified as available for sale. The Company had no "other comprehensive income or loss" transactions during the three months ended March 31, 2007 and no opening or closing balances for "accumulated comprehensive income or loss".

b) Financial Instruments – recognition and measurement (CICA Handbook Section 3855) and disclosure and presentation (CICA Handbook Section 3861)

In accordance with this new standard, 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 instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized in operating results. Financial instruments classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other financial liabilities are measured at amortized cost.

Upon adoption of these new standards, the Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other liabilities, which are measured at amortized cost.

During the three months ended March 31, 2007, the Company had neither available for sale nor held-to-maturity financial instruments.

3/ PROPERTY, PLANT AND EQUIPMENT

As at March 31, 2007	Cost	Accumulated amortization	Net book value
Office and other equipment	\$67,307	\$ 5,546	\$ 61,761
Computer equipment	39,001	4,394	34,607
Leasehold improvements	6,177	129	6,048
Vehicles	61,941	18,460	43,481
	<u>\$ 174,426</u>	<u>\$ 28,529</u>	<u>\$ 145,897</u>
As at December 31, 2006	Cost	Accumulated amortization	Net book value
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 has been allocated to mineral properties in the amount of \$8,285 (December 31, 2006 - \$18,051) during the period.

## 4 / MINERAL PROPERTIES

a) For the three month period ended March 31, 2007, significant expenditures were:

	Accha-Yanque	Condorini	Sayani	Minascasca	Total
Balance, beginning of period	\$ 3,089,741	\$ 9,244	\$ 55,393	\$ 737,568	\$ 3,891,946
Property, acquisition and maintenance	891	29,000	–	–	29,891
Analytical	54,778	–	–	–	54,778
Geology	539,068	–	–	–	539,068
Drilling	981,446	–	–	–	981,446
Technical and engineering	127,111	–	–	–	127,111
Research	14,465	–	–	–	14,465
Project administration	132,290	2,565	–	–	134,855
Balance, end of period	\$ 4,939,790	\$ 40,809	\$ 55,393	\$ 737,568	\$ 5,773,560

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

	Accha-Yanque	Condorini	Sayani	Minascasca	Total
Balance, beginning of period	\$ 1,381,968	\$ –	\$ 13,867	\$ 714,553	\$ 2,110,388
Property, acquisition and maintenance	255,316	–	13,494	16,865	285,675
Analytical	68,939	2,250	225	–	71,414
Geology	1,041,415	3,610	27,807	6,150	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	\$ 3,089,741	\$ 9,244	\$ 55,393	\$ 737,568	\$ 3,891,946

## 5 / SHARE CAPITAL

a) Common and preferred shares

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.

During the three months ended March 31, 2007, there were no changes in issued common share capital.

Three month period ended March 31, 2007	Number of shares	Amount
	Issued at beginning of period	76,600,000
Issued at end of period	76,600,000	\$ 22,287,531

Nine month period ended December 31, 2006	Number of shares	Amount
	Issued at beginning of period	1
Issued in exchange for debt	36,599,999	4,402,476
Public offering (net of share issue costs – \$ 2,114,946)	40,000,000	17,885,054
Issued at end of period	76,600,000	\$ 22,287,531

b) Stock Options

At March 31, 2007 there were 4,479,000 stock options outstanding, of which 1,568,477 are exercisable.

Three month period ended March 31, 2007	Number of options	Weighted average exercise price
Outstanding at beginning of period	3,098,000	\$ 0.50
Granted	1,381,000	\$ 0.70
Outstanding at end of period	4,479,000	\$ 0.56
Exercisable at end of period	1,568,477	\$ 0.56

As a result of stock options vesting and the amortization of previous grants during the three month period ended March 31, 2007, the Company recognized \$335,901 as stock-based compensation expense and recorded this amount in contributed surplus. Of this expense, \$80,468 is included in office expense, \$146,469 in consulting and management fees, and \$108,964 in general exploration.

The value of the stock options granted during the period was determined using the Black-Scholes option pricing model. A grant-date fair value of \$0.36 for each option granted was estimated using the following assumptions: no dividends are to be paid; volatility of 72%; risk free interest rate of 4.0%; and expected life of 3.5 years.

c) Warrants

As at March 31, 2007, 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 at the date of issue using the Black-Scholes pricing model.

## d) Contributed Surplus

	Three month period ended March 31, 2007	Nine month period ended December 31, 2007
Balance, beginning of period	\$828,294	\$-
Warrants	-	395,200
Stock-based compensation	335,901	433,094
Balance, end of period	\$1,164,195	\$828,294

## 6 / 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:

	March 31, 2007	December 31, 2006
Peru	\$ 5,905,601	\$ 4,011,333
Canada	89,196	76,820
	\$ 5,994,797	\$ 4,088,153

## 7 / RELATED PARTY TRANSACTIONS

During the three month period ended March 31, 2007, the Company paid \$82,805 (March 31, 2006 - \$nil) to its parent company Southwestern Resources Corp. ("Southwestern") and its subsidiary under the terms of two separate administrative services agreements. In addition, during the same periods, the Company paid remuneration to a company controlled by a director in the amount of \$43,750 (March 31, 2006 - nil). As at March 31, 2007, there was an amount owing to Southwestern and its subsidiary totalling \$65,742. (December 31, 2006, \$56,066) relating to services requested by Zincore that were outside of the scope of the administrative services agreement.

Related party transactions are measured at the exchange amount which is the consideration agreed to between the parties.

## 8 / COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current period's presentation.

## CORPORATE INFORMATION


 ZINCORE METALS INC.

## DIRECTORS

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

## OFFICERS

Timo Jauristo  
President and CEO  
Gregory Martin  
VP and CFO  
Susy Horna  
Corporate Secretary

VANCOUVER CORPORATE  
OFFICE

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## INVESTOR RELATIONS

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STOCK EXCHANGE  
LISTING

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