

A Zinc Exploration Company

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2009 ANNUAL REPORT | ZINCORE METALS INC.

Letter to Shareholders

4

Management's Discussion and
Analysis of Financial Condition
and Results of Operations

6

Auditors' Report

22

Consolidated Balance Sheets

23



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Consolidated Statements of
Loss, Comprehensive
Loss and Deficit

24

Consolidated Statements of
Cashflows

25

Notes to Consolidated Financial
Statements

26

Corporate Information

35



Dear Shareholder,

I wish to thank you for your support of Zincore during 2009. The year started with much uncertainty due to the global credit crisis which resulted in dramatic reductions in metal prices and valuations for zinc mining and exploration companies. Zincore was able to weather the storm by making difficult but necessary decisions to conserve capital while at the same time preserving its strong property portfolio. By the second half of 2009 both the metal and equity markets had begun to improve and Zincore was able to take advantage of the increased liquidity. Thanks to the efforts of its new board of directors and management team, Zincore was able to secure a \$6.0 million financing. Just as important, this amount was secured at a 56% premium, which reflected investor confidence in the Company's asset base and new leadership. Zincore now has the funding in place to carry out new activities on its existing projects, including the Accha Zinc Oxide District, Minasccasa, and Dolores. At the same time, the Company is searching for new and exciting projects in Peru, Canada and Mexico. Zincore is pleased that as of March 2010, it has a new major shareholder, Inversiones Pacasmayo SA, a Peruvian company that is indirectly controlled by Eduardo Hochschild, Executive Chairman of Hochschild Mining plc. A subsidiary of Inversiones Pacasmayo is using the same pyrometallurgical process to produce high grade zinc and lead oxide concentrate that Zincore is currently testing.

Until recently, Zincore had viewed the deposits at Accha, Yanque and the numerous individual zinc lead showings in the 30 kilometres between the two, as separate entities. However, armed with the prospect of an alternative metallurgical process and given the proximity of these projects, Zincore now views the Accha Zinc Oxide District as having the potential to operate as a single operation. To that end, the Company is re-modelling the previously completed research to optimize the geology. In conjunction, Zincore is also investigating an alternate metallurgical process that could operate as a central processing facility for the entire district. Preliminary results have been encouraging though further testing is required. A scoping study, including a revised resource estimate, is being prepared, which the Company hopes to complete by the end of the second quarter of 2010.

Photo: Peruvian highlands



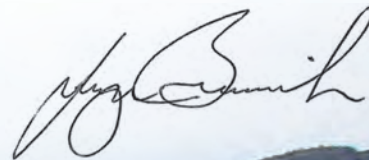
Community relationships are a top priority for Zincore in 2010. Zincore is negotiating a community access agreement with the community near the Dolores Project, a copper-gold porphyry target east of Yanque, in order to proceed with a drill program planned for later on in the year. Zincore is also making good progress on the community access agreements for the Minasccasa project. A dedicated community relations team is on the ground there and we are hoping to have agreements which will enable the Company to commence drilling sometime during the second quarter of the year.

In order to diversify its property portfolio geographically, in January 2010, the Company entered into an agreement to earn a 100% interest in the Cariboo Zinc property in British Columbia, Canada. This property consists of 15 claims totalling 4,280 hectares which are easily accessible from the town of Quesnel, British Columbia. A program of soil sampling and geological mapping to complete coverage of the property, followed by 2,000 metres of diamond drilling is planned for 2010.

The Company will continue to explore for other opportunities in Canada and Mexico to increase shareholder value. All activities in Chile, however, have ceased and there are no current plans for future exploration there.

In conclusion, Zincore is poised for an exciting 2010. Drilling is planned for at least three different projects in addition to the continued optimization work at the Accha Zinc Oxide District. We are grateful for our shareholders' continued faith and support of Zincore.

President and CEO
Jorge Benavides



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the years ended December 31, 2009 and 2008
All figures in Canadian dollars unless otherwise noted

GENERAL

The following Management's Discussion and Analysis ("MD&A") of Zincore Metals Inc. and its subsidiaries ("Zincore" or the "Company"), for the year ended December 31, 2009 should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2009 and the audited financial statements for the year ended December 31, 2008, both of which are available on the Company's website at www.zincoremotals.com or on the SEDAR website at www.sedar.com. Additional information relating to the Company, including its Annual Information Form ("AIF") dated March 12, 2010, is also available on SEDAR at www.sedar.com.

This MD&A has taken into account information available up to and including March 12, 2010.

All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles and presented in Canadian dollars unless otherwise noted.

The Company is currently engaged in exploration and development of mineral properties and does not have any source of revenue or operating assets. The recoverability of the amounts shown for mineral properties is dependent upon the ability of the Company to obtain necessary financing to complete exploration, technical studies and, if warranted, development and future profitable production or proceeds from the disposition of properties. The amounts shown as mineral properties represent costs to date and do not necessarily represent present or future values.

FORWARD-LOOKING STATEMENTS

Statements in this MD&A that are forward-looking are subject to various risks and uncertainties concerning the specific factors disclosed under the heading "Risk Factors" and elsewhere in Zincore's AIF. Such information contained herein represents management's best judgment as of the date hereof based on information currently available. Zincore does not assume the obligation to update any forward-looking statements other than as required pursuant to applicable securities laws.

OUTLOOK

Due to market conditions for financing, Zincore reduced its planned exploration expenditures during late 2008 and the first half of 2009 and completed cost cutting measures in Peru and Canada. Corporate costs were reduced through staff reductions, consolidation of office space and reduced overhead.

Upon completion of the corporate and Board restructuring and signing of the Bridge Loan, Zincore resumed activities in Peru to enable exploration work to re-commence in the second half of 2009. With the completion of the equity financing in September 2009, the Company is now in an even better position to continue to advance its existing projects, as well as pursue other opportunities. The three priority exploration projects in Peru are the Accha Zinc Oxide District, the Dolores copper porphyry target, and the Minascasa property. The key activity for the first half of 2010 on each project is securing agreements with local communities to enable access to the properties and exploration work to be conducted. Zincore has dedicated community relations teams at each project area conducting discussions with the communities to identify and resolve issues and negotiate agreements.

At the Accha Zinc Oxide District, the Company will complete testing of alternative metallurgical processes, and will re-model and optimize the resources. The Company will also continue to explore the other prospects within this district.

At Accha, the exploration camp has been re-opened and a small team of professionals is currently operating from the site. Limited regional exploration on the eastern belt has started although recent severe bad weather has slowed progress. The team has also collected a ten tonnes sample from surface mineralization which was sent to Lima for analysis prior to the start of the metallurgical tests. This sample will be used in pilot testing of the alternative metallurgical technology the Company is evaluating. Both communities close to the project remain very supportive of the project and are currently working with the Company in this

area. Draft agreements have been prepared to extend the duration of existing agreements and no problems are expected in obtaining the support of the full community. Further meetings are scheduled for March 2010.

At Yanque, several meetings were held with groups of residents from the four villages that make up the community. The community leaders have recently expressed interest in granting access to the target areas in exchange for support in establishing a mining cooperative. The company is currently evaluating the viability of this option with support from the regional office of the Ministry of Mines in Cusco. A full community meeting to discuss the terms of agreement is planned for the end of February or early March 2010. As part of the optimization program, the company plans to collect a ten tonnes sample from surface mineralization shortly after the community agreement is finalized. This sample will be used in pilot testing of the alternative metallurgical technology the Company is evaluating.

At Minascasa, the company is currently involved in direct negotiations with one of the key communities of the project area. Community leaders have submitted requests for support in agriculture improvement as their requirement for granting access to the project area. The company is currently in discussions with local government authorities to establish the viability of this proposal and see if support from local authorities can be obtained. The access agreement is dependent on successful negotiations with the interested parties.

At Dolores, after all community negotiations are complete, the Company hopes to begin a drill program later on in 2010.

In addition to the Cariboo project, the Company will continue to investigate other zinc-lead opportunities in Canada, as well as Mexico, in order to geographically diversify its project portfolio.

DESCRIPTION OF BUSINESS

Zincore Metals is an exploration company focused on the identification, acquisition, exploration, evaluation and development of zinc and related base metals projects in the Americas. Its primary objective is to define economically feasible projects through focused exploration and to develop, joint venture, or sell properties of economic merit. Zincore's properties are currently in the exploration stage and are thus non-producing and consequently do not generate revenue or cash flow from operations. The Company is dependant on additional equity or debt capital or proceeds from divestitures to finance its activities.

Zincore's main activities are related to exploration, definition drilling and technical studies at its Accha Zinc Oxide District in Peru, and initial exploration at its other properties to further assess potential and develop more detailed exploration programs. The Company is also actively searching for projects in other countries such as Canada and Mexico. Due to market conditions and liquidity constraints, Zincore reduced its corporate and exploration teams and activities during the fourth quarter of 2008 and first quarter of 2009. As a result of a bridge loan agreement and private placement completed during the second and third quarters of 2009, the Company has re-initiated activities in Peru with work focused on renewing or securing community agreements relating to its properties to enable exploration work to re-commence. The Company is re-modelling previously completed results in the Accha Zinc Oxide District to optimize the geological resource model and mine plan and is testing an alternative metallurgical process that could operate as a central processing facility for the entire district.

On March 24, 2009, Zincore's significant shareholder, Southwestern Resources Corp. ("Southwestern"), announced an agreement whereby Hochschild Mining plc ("Hochschild") would indirectly acquire all of the common shares of Southwestern under a plan of arrangement. Southwestern shareholders approved such plan of arrangement on May 8, 2009. As a result, Hochschild, a London Stock Exchange listed mining company with operations in Peru, Argentina and Mexico became a significant shareholder of Zincore. As of December 31, 2009, Hochschild owned 36.9% of the Company's outstanding common shares.

Subsequent to this transaction Zincore announced corporate changes including the resignation of its President and CEO and its CFO, and a restructuring of the Board of Directors. Mr. Jorge Benavides, formerly a Senior Advisor to the Chairman of Hochschild has been named President and CEO. Mr. Benavides is a geologist with over 30 years of experience in mining and mineral exploration, and has degrees from both Stanford University (MSc Ore Deposits) and the Colorado School of Mines (BSc Geological Engineering). He was instrumental in guiding the exploration and acquisition programs for Hochschild Mining in the Americas, and of Phelps Dodge Corporation's South American exploration. Mr. Giovanni Susin was named VP Finance and CFO. Mr. Susin is a Chartered Accountant with significant experience in the resource sector. Also, Ms. Blair Lockhart was named Corporate Secretary and General Counsel.

Mr. Benavides, Mr. Dan Innes, Mr. Roman Friedrich and Mr. Arnold Klassen were elected to the Board of Directors replacing Mr. Timo Jauristo who resigned and Mr. Rex McLennan and Mr. Henry Giegerich who did not stand for re-election. Mr. David Black and Mr. Myron Osatenko continue with their roles on the Board of Directors.

In January 2010, the Company announced the appointment of Mr. Adam Ho as its Manager, Investor Relations.

On March 4, 2010, Hochschild sold its stake in Zincore to Inversiones Pacasmayo SA (“Inversiones Pacasmayo”). Hochschild’s Executive Chairman, Eduardo Hochschild, indirectly controls approximately 95% of the shares of Inversiones Pacasmayo. As a result of this transaction Inversiones Pacasmayo currently holds 36.9% of the outstanding common shares of Zincore. Inversiones Pacasmayo’s subsidiary uses a Waelz rotary kiln at its facility in northern Peru to process zinc and lead ore. Zincore is testing this same pyrometallurgical process with ores from its Accha and Yanque projects on the Accha Zinc Oxide District discussed in the “Project Review” section below.

OVERALL PERFORMANCE AND CURRENT ECONOMIC CONDITIONS

The zinc market rebounded during 2009 with prices opening the year at about U.S.\$0.55/lb and ending the year slightly over U.S.\$1.00/lb. Zinc-related equities rebounded during 2009 as a result of the higher metal prices, but equity prices of exploration and development companies remained volatile.

Metal price performance remains linked to expectations regarding near term global economic conditions which are driving the demand outlook for base metals including zinc. Asset and corporate valuations of exploration and development stage mineral companies continued to improve during the year even though there was continued uncertainty regarding the global economic climate.

The impacts of the global economic crisis on Zincore have included a more challenging market to raise equity capital, a reduction in the market value of development assets, a more challenging project financing market and a reduction of funding from senior mining companies for junior exploration companies. Notwithstanding these challenges, the Company was able to complete a private placement on September 30, 2009 whereby it raised gross proceeds totalling \$6,015,000 by issuing 24,060,000 common shares at a price of \$0.25 per share. This price reflected an approximate 56% premium over the market price at the time of the announcement of the private placement. This premium reflects the confidence the investors have in the assets and new board and management of the Company. As at December 31, 2009, the Company had working capital totalling \$4,700,371.

Zincore has completed staff restructuring in Vancouver and Peru and has re-initiated exploration activities in Peru. The Company wrote off all of its assets in Mexico and Chile and while it will continue to explore opportunities in Mexico, it has no plans for further exploration in Chile at this time. As part of the re-starting operations the Company began working towards securing community agreements for the Minasccasa, Dolores, and Yanque projects. At Accha, the exploration camp was maintained with minimal staff. No active exploration is ongoing, but the camp and community agreements are being maintained to allow exploration and development work to resume efficiently. Solid progress was made on all negotiations with the various communities and work will continue during the first quarter of 2010. The Outlook section of this MD&A contains further discussion on planned activities.

On June 22, 2009 Zincore announced it had entered into a bridge loan agreement with Hochschild whereby Hochschild committed to provide up to U.S. \$1 million in working capital for up to one year (“Bridge Loan”). Further details regarding the Bridge Loan are provided in the Financial Condition, Liquidity and Capital Resources section. During the year, the Company received and later repaid the U.S. \$500,000 outstanding under the Bridge Loan as well as paid U.S. \$8,245 in interest pursuant to this agreement. The Company has no further obligations relating to this agreement.

In January 2010, the Company announced that it had entered into an option agreement with Pembroke Mining Corp. (“Pembroke”) to earn a 100% interest in Pembroke’s Cariboo and Sajapampa zinc-lead properties located in Canada and Peru, respectively. See further details in the Financial Condition, Liquidity, and Capital Resources section below.

SELECTED ANNUAL INFORMATION

	YEAR ENDED DEC 31, 2009	YEAR ENDED DEC 31, 2008	YEAR ENDED DEC 31, 2007
Interest and other income	\$ 9,653	\$ 129,202	\$ 497,150
Net loss	\$ 2,500,739	\$ 3,714,692	\$ 3,152,001
Net loss per share	\$ 0.03	\$ 0.05	\$ 0.04
Total assets	\$ 21,088,056	\$ 17,217,550	\$ 20,863,704
Financial liabilities	\$ 239,391	\$ 181,782	\$ 390,135
Common shares outstanding	103,334,833	79,124,833	79,124,833

Zincore does not yet have operating mining assets. Annual variations in costs and net losses reflect the higher or lower levels of exploration activities on its properties. The reduced interest and other income resulted from lower cash balances combined with

lower prevailing interest rates. The lower net loss resulted from a lower operating loss due to reduced exploration and corporate activities as well as lower mineral property cost write-downs. The slight increase in liabilities largely reflects the increase in exploration and corporate activities during the fourth quarter of 2009.

RESULTS OF OPERATIONS

	YEAR ENDED DECEMBER 31, 2009	YEAR ENDED DECEMBER 31, 2008
General exploration expense	\$ 692,316	\$ 1,109,277
Consulting and management fees	\$ 560,895	\$ 677,164
Other general and administrative expenses	\$ 995,409	\$ 958,578
Foreign exchange loss(gain)	\$ 19,313	\$ (222,003)
Depreciation	\$ 6,110	\$ 11,787
Mineral property costs written off	\$ 194,852	\$ 1,299,009
Mineral properties	\$ 16,050,110	\$ 15,545,783

Total expenses were lower during 2009 relative to 2008 due to lower mineral property costs being written off in 2009 as well as operation reductions during the first half of 2009. Operations were re-started later in 2009 although they are not yet at 2008 levels.

General exploration expense in 2009 was lower than in 2008, reflecting lower administrative spending in Peru due to staff cut-backs, lower non-property related exploration costs in Peru, Chile and Mexico, and lower stock-based compensation.

Consulting and management fees expense was lower in 2009 compared to 2008 due to decreased corporate activity partially offset later in the year by the costs of a new CEO and a termination payment to a former officer.

Other general and administrative expenses were higher in 2009 compared to 2008 reflecting a number of items. The most significant item is that Zincore's CFO, accountant and corporate secretary are now payroll employees rather than consultants or part of an administrative agreement with another company (see "Related Party Transactions" below). As well, travel costs were higher reflecting travel costs for the new CEO who is located in Peru. These higher costs were partially offset by lower overall corporate activity during the first half of 2009.

As a result of stock options vesting and the amortization of previous grants during the year ended December 31, 2009, the Company recognized \$292,153 (2008 – \$276,891) as stock-based compensation expense and recorded this amount in contributed surplus. These amounts were recorded as follows:

	YEAR ENDED DECEMBER 31, 2009	YEAR ENDED DECEMBER 31, 2008
Consulting and management fees	\$ 9,489	\$ 86,281
General exploration	41,762	100,986
Salaries and benefits	240,902	89,624
Total	<u>\$ 292,153</u>	<u>\$ 276,891</u>

The value of the stock options granted during the year ended December 31, 2009 and 2008 was determined using the Black-Scholes option pricing model. The weighted average grant-date fair value of \$0.15 (2008 - \$0.15) for each option granted was estimated using the following weighted average assumptions: no dividends are to be paid; volatility of 173% (2008 – 79%); risk free interest rate of 2.3% (2008 – 3.3%); and expected life of 3.5 years (2008 – 3.5 years).

During 2009 the Company incurred a foreign exchange loss of \$19,313 compared to a \$222,003 gain in 2008. Foreign exchange gains and losses result primarily from the translation of U.S. dollar denominated monetary assets and liabilities into Canadian dollars. The gain in 2008 was primarily the result of higher U.S. dollar cash balances.

In 2009 the Company wrote off expenditures totaling \$194,852 (2008 - \$1,299,009) relating to all of its mineral properties in Mexico and Chile. The Company disposed of all of its assets and closed its operations in Chile and thus all of its mineral property expenditures relating to Chile, including expenditures on the Piren project, have been written off. The Company also has no further plans to work on its property holdings in Mexico and therefore all the related mineral property costs were written off as well. However, the Company plans to continue examining other projects and opportunities in Mexico as they arise.

PROPERTY REVIEW

Accha Zinc Oxide District

The 100%-owned Accha Zinc Oxide District covers more than 45,000 hectares and hosts zinc and lead oxide mineral reserves at the Accha deposit and mineral resources at both the Accha and Yanque deposits: the Accha deposit is at the north end of the belt and the Yanque deposit is 30 kilometres to the south. Mineralization has been identified in eight other locations in the district and initial exploration on certain targets has been completed. Given the proximity of these projects and prospects, Zincore views the Accha Zinc Oxide District as having the potential to operate as a single operation. To that end, the Company is re-modelling previously completed results to optimize the geology and is testing an alternative metallurgical process that could operate as a central processing facility for the entire district.

Accha

After considerable exploration work in 2006 and 2007, limited exploration activity was completed at the main Accha deposit in 2008 and the first half of 2009. The exploration camp was maintained to allow resumption of exploration activities in the last quarter of 2009. Community work is ongoing.

In addition to exploration, extensive engineering work has been completed on the deposit and a preliminary feasibility study ("PFS") study was filed on SEDAR in 2008.

In 2007 Zincore completed a 15,400-metre exploration and infill drill program on the Accha deposit. The results were integrated into the historical drill database and a NI 43-101 mineral resource estimate was prepared by independent consultant Pincock, Allen & Holt ("PAH") and released on December 6, 2007¹. The results showed that Accha hosts high-grade, near surface zinc oxide mineralization and reported 5.1 million tonnes of indicated mineral resources at 8.2% zinc and 0.9% lead and 1.4 million tonnes of inferred mineral resources at 5.9% zinc and 0.7% lead.

This resource estimate, combined with metallurgical test work completed during 2007, provided the basis for completion of the PFS in 2008 on the Accha deposit. Led by SNC Lavalin Chile, the PFS looked at the technical capability of producing zinc oxide concentrates from Accha ore and also assessed the economic merits of selling the zinc oxide concentrates. On May 1, 2008, Zincore released the results of the PFS² which concluded Accha could produce 130,000 tonnes of zinc oxide concentrate grading approximately 27% zinc annually over a seven-year mine life. The PFS estimated site operating costs at U.S. \$0.28 per pound and pre-production capital costs at approximately U.S. \$65 million. The mine plan is a combination of open pit followed by underground mining to supply ore to a conventional dense media separation, milling and flotation circuit.

As a result of the PFS, a portion of Accha mineral resources were reclassified as mineral reserves, totaling 4.2 million tonnes grading 7.9% zinc and 0.8% lead. A revised technical report on the deposit was filed on SEDAR in June 2008.

The PFS also identified a number of opportunities to improve the Project, principally related to resource increases by infill drilling of the inferred mineral resources to convert them to indicated mineral resources and exploration drilling where the deposit remains open. The Company is also working on further optimizing this project by investigating other metallurgical procedures to increase recoveries and then having all the ore in this district treated in one central processing facility. The Company has recently collected 10 tonnes of high grade material from surface trenches at the Accha deposit for this purpose. The program was delayed somewhat due to very severe El Nino weather conditions in the Cusco area.

Yanque

During 2008, Zincore successfully completed the first phase drilling program at Yanque, drilling 45 holes totalling 6,527 metres. The 24 holes drilled in 2008 complement the 21 holes drilled during 2007. The first 21 holes provided the basis for an updated mineral resource estimate. On March 3, 2008, Zincore released an updated mineral resource estimate prepared by Pincock Allen & Holt that estimates that Yanque contains 10.3 million tonnes of near surface zinc and lead oxide inferred mineral resources grading 5.3% zinc and 5.3% lead³. The new estimate represented a 55% increase in tonnes and an 88% increase in contained metal over the previous inferred mineral resource estimate. All of the resources are near surface and amenable to open pit mining. A technical report relating to this mineral resource estimate was filed on SEDAR in April 2008.

A further mineral resource estimate incorporating all of the drilling has not yet been completed.

¹ For full details see press release dated December 6, 2007 available on Zincore's website at www.zincoremotals.com or on SEDAR

² For full details see press release dated May 1, 2008 available on Zincore's website at www.zincoremotals.com or on SEDAR

³ For full details see press release dated March 3, 2008 available on Zincore's website at www.zincoremotals.com or on SEDAR

Preliminary metallurgical studies that focused on producing a concentrate amenable to acid leaching were completed at Mintek Laboratories in Johannesburg under the supervision of Green Team International (“GTI”). The results of this preliminary work indicate good recovery (75-80%) of the lead minerals, primarily cerussite, into concentrate through dense media separation (“DMS”) and flotation in a manner similar to the process designed for Accha. Further, this work indicated that a lead concentrate grading over 50% lead could be produced. However, recovery of the zinc minerals into concentrate through DMS and flotation is variable but, on average, low due to the presence of a high amount of zinc clays and lower grade zinc minerals that do not respond favourably to DMS. The recovery of zinc into the lead concentrate would provide a significant credit to the lead concentrate. The Company is working on further optimizing this project by investigating other metallurgical procedures to increase recoveries and then having all the ore in this district treated in one central processing facility. Once the testing of the Accha samples has been completed, the company plans to also collect ten tonnes of new material from the surface at the Yanque deposit to use in this work.

Other Accha Zinc Oxide District Prospects

Located within the Accha Zinc Oxide District are as many as eight other zinc oxide prospects, including Corrales, Puyani, Yanque East, and Titiminas West, on which the Company plans to perform further work in 2010.

Other Exploration Properties

In 2008 the Company discovered a copper-gold porphyry target east of Yanque called Dolores. While a large target area was identified, sampling and assaying was constrained to a new road cut that exposed the underlying mineralization and returned encouraging high-grade values. Dolores remains a priority area for Zincore and community agreements covering the Yanque area must be renewed and expanded to enable more significant exploration work on the target to commence. Zincore’s community relations team is pursuing such agreements and some progress has been made with local residents during the past months. The Company is very optimistic that the access agreement will be finalized by the time weather improves in the Cusco area in the coming months.

At the 100%-owned Minascasa property, located in the Andahuaylas-Yauri metallogenic belt in southern Peru, 400 km southeast of Lima, Zincore has retained dedicated community relations personnel to focus on reaching an agreement with local communities regarding the project. Recent discussions with one of the principal communities involved in the project have indicated a willingness from community leaders to reach an agreement with the Company. Discussions on the terms of agreement with community leaders are on-going.

In January 2010 the Company announced that it had entered into an option agreement with Pembroke Mining Corp. to earn a 100-per-cent interest in Pembroke’s Cariboo and Sajapampa zinc-lead properties located in Canada and Peru, respectively. Under the terms of the agreement, Zincore can earn a 100-per-cent interest in the properties by incurring exploration expenditures of \$875,815 within the first year and issuing five million Zincore shares to Pembroke over a three-year period. Pembroke will retain a 2-per-cent net smelter return on the properties and Zincore will be entitled to buy back one of those two percentage points for \$1.5-million at any time, as well as have a pre-emptive right to purchase in the event Pembroke wishes to sell any portion of the royalty. A small portion of the Sajapampa property (800 of 6,000 hectares) is subject to an underlying agreement with Pembroke’s wholly owned subsidiary, pursuant to which an additional \$350,000 in payments must be made on or before April, 2013, and a 2-per-cent net smelter return is payable. One percentage point of this net smelter return royalty can be bought back for U.S. \$1.0 million. The underlying agreement is being assigned to the Company.

As reported earlier, the company decided to pull out of Chile as part of its renewed exploration strategy. All activities have now been wound down and no additional costs are expected from Chile.

In Mexico, the company has relinquished title to the three properties staked in 2009. The Company continues to be interested in Mexico, however, and additional property reviews are on-going.

QUARTERLY FINANCIAL INFORMATION

The selected consolidated financial data has been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2009 and 2008.

Selected Quarterly Financial Data (unaudited)

FISCAL QUARTER ENDED	DEC 31 2009	SEP 30 2009	JUN 30 2009	MAR 31 2009	DEC 31 2008	SEP 30 2008	JUN 30 2008	MAR 31 2008
Interest and other income	\$ 4,041	\$ 330	\$ 2,802	\$ 2,480	\$ 8,192	\$ 15,867	\$ 33,754	\$ 71,389
Net loss	\$ (762,017)	\$ (916,951)	\$ (407,210)	\$ (414,561)	\$ (1,359,005)	\$ (528,411)	\$ (985,241)	\$ (842,035)
Net loss per share	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Total assets	\$ 21,088,056	\$ 21,541,181	\$ 16,711,613	\$ 16,765,269	\$ 17,217,550	\$ 18,705,672	\$ 19,414,235	\$ 20,399,498
Total liabilities	\$ 239,391	\$ 197,252	\$ 466,302	\$ 132,946	\$ 181,782	\$ 323,530	\$ 550,409	\$ 598,198

In general, overall spending levels have varied commensurate with the changes in the Company's exploration, development and corporate activities. The lower net loss in the first and second quarters of 2009 reflects the planned reduction in activities to preserve liquidity. The increase in net loss during the third and fourth quarters of 2009 was a result of resuming activities following the Company's increased liquidity. As well in the fourth quarter of 2008, there were significant mineral property costs written off.

Quarterly expense levels of manageable expenses were generally comparable quarter on quarter prior to the third quarter of 2008 as Zincore had made no significant changes in its management team, staffing levels or scope of activities during that time. During the quarters ending September 30, 2008, December 31, 2008, March 31, 2009, and June 30, 2009 Zincore reduced expenditures due to market conditions restricting the financing of exploration and development projects. As a result of the Company's increased liquidity during the third and fourth quarters of 2009, the Company's overall corporate and exploration expenses have slowly began to rise again. Quarterly variances in net loss have generally been impacted by four key factors: mineral property write-offs, stock-based compensation expense, foreign exchange gains or losses, and general exploration expense.

During the second quarter of 2008 Zincore expensed mineral property costs of \$292,234 relating to its Condorini property on termination of the joint venture agreement and in the fourth quarter of 2008 it expensed mineral property costs of \$1,006,775 relating to its Minascassa and other properties. During the fourth quarter of 2008 Zincore recorded a loss of \$10,082, in the first quarter of 2009 a loss of \$49,102 and in the second quarter a gain of \$338 all related to disposals of surplus field equipment and other office assets resulting from the planned reductions. During the third quarter of 2009 the Company expensed mineral property costs of \$194,852 relating to all of its mineral properties in Mexico and Chile. During the fourth quarter of 2009 the company recorded \$280,956 as stock-based compensation as a result of stock options granted during the period.

Stock-based compensation expense is impacted by vesting schedules, forfeitures and the number of options granted by the Board of Directors. Foreign exchange losses vary based on the strengthening or weakening of the Canadian dollar relative to the U.S. dollar and Peruvian soles as well as U.S. dollar denominated cash balance, and interest income varies with cash balances and interest rates.

General exploration expense varies depending on the focus of activities within the Company. During periods where the Company is evaluating new opportunities or establishing a presence in a new country, general exploration expense is generally higher than in other periods. In addition, principally during the fourth quarter of 2008, the Company recorded statutory severance costs relating to the reduction of its Peru based exploration employees.

Total assets in the third quarter of 2009 increased primarily as a result of an equity financing.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Zincore is a mineral exploration company and as such is not in commercial production at any of its mineral properties and, accordingly, it does not generate cash from operations. The Company intends to finance its activities by raising capital through the equity markets or asset divestitures.

On September 30, 2009 the Company completed a private placement whereby it raised gross proceeds totalling \$6,015,000 by issuing 24,060,000 common shares at a price of \$0.25 per share. The proceeds will be used for ongoing exploration in Peru and general working capital purposes.

On June 22, 2009 Zincore entered into a bridge loan agreement with Hochschild whereby Hochschild committed to provide up to U.S. \$1 million in working capital. The Bridge Loan Agreement had a term of one year with principal and accrued interest repayable in cash upon completion of an equity financing. Any outstanding loan balance bore interest at one-year U.S. dollar LIBOR plus 8%. During the year the Company received and paid back U.S. \$500,000 as well as paid U.S. \$8,245 in interest pursuant to this agreement. The Company has no further obligations relating to this agreement.

As at December 31, 2009, Zincore had working capital of \$4,700,371 compared to \$1,308,169 at December 31, 2008. Working capital consists of current assets less current liabilities. The working capital increase was due to the equity financing completed in the third quarter of 2009 partially offset by expenditures on corporate and exploration activities. The Company incurred expenditures of approximately \$535,000 on the Accha Zinc Oxide District during 2009. The majority of the costs were related to maintaining the claims in good standing, Accha camp maintenance, and community relations in the Yanque area.

During the second quarter of 2009, the Company received approximately U.S. \$105,000 in taxes receivable from the government of Peru. On September 26, 2007 the Ministry of Energy and Mines in Peru approved the application by Exploraciones Collasuyo SAC ("Collasuyo"), Zincore's indirect wholly owned subsidiary, for early recovery of the Impuesto General a las Ventas ("IGV") or general sales tax on qualifying expenditures. The current rate of IGV is 19% on all goods and services purchased. No further recoveries under this program are expected but the application is being made to recover taxes on further exploration expenditures that qualify for re-imbusement.

In January 2010, the Company announced that it had entered into an option agreement with Pembroke to earn a 100% interest in Pembroke's Cariboo and Sajapampa zinc-lead properties located in Canada and Peru, respectively. Under the terms of the agreement, Zincore can earn a 100% interest in the properties by incurring exploration expenditures of \$875,815 within the first year and issuing five million Zincore shares to Pembroke over a three-year period. Pembroke will retain a 2% NSR on the properties and Zincore will be entitled to buy back one of those two percentage points for CAD\$1.5 million at any time, as well as have a pre-emptive right to purchase in the event Pembroke wishes to sell any portion of the royalty. A small portion of the Sajapampa property (800 of 6,000 hectares) is subject to an underlying agreement with Pembroke's wholly owned subsidiary, pursuant to which an additional \$350,000 in payments must be made on or before April 2013, and a 2% NSR is payable. One percentage point of this net smelter return royalty can be bought back for U.S. \$1.0 million. The underlying agreement is being assigned to the Company.

Management estimates that Zincore's current cash resources provide sufficient funding to maintain its key properties and fund the Company's activities in the near term as further described in the Outlook section.

Zincore does not hold any asset-backed commercial paper, has long term monetary assets of \$20,997 and long-term monetary obligations of \$20,686. Current liabilities at the end of 2009 totaled \$218,705. Accounts payable and accrued liabilities relate principally to trade payables.

The Company's material contractual obligation is an office lease agreement for its corporate office in Vancouver, which expires on March 31, 2011. The agreement covers rent and operating expenses currently estimated at \$10,990 per month. In December 2008 Zincore signed a sublease agreement with a third party that fully funds its obligations regarding the corporate office lease until expiry of the lease agreement. The sublease agreement became effective January 15, 2009.

Contractual obligations	TOTAL	< 1 YEAR	1-3 YEARS
Operating lease obligations	\$ 164,850	\$ 131,880	\$ 32,970
Pembroke options	\$ 1,225,815	\$ 875,815	\$ 350,000

The Company's long term obligation of \$20,686 relates to the sublease of its office space in Vancouver to a non-related third party subtenant. Under the sublease agreement the subtenant paid to Zincore the equivalent of two months rent and operating expenses to be held interest free and applied against the subtenant's obligations under the agreement.

Annual property maintenance payments for its Accha-Yanque, Minasccasa and Sayani properties in Peru totaling approximately U.S. \$163,000 were paid in June 2009 and will be due again in June 2010.

OFF-BALANCE SHEET TRANSACTIONS

The Company does not utilize off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

Zincore had a Services Agreement with Southwestern, now a wholly owned subsidiary of Hochschild, up until July 31, 2009, whereby Southwestern agreed to provide the Company with accounting, corporate secretarial and other services in Canada. Collasuyo, Zincore's indirect wholly owned subsidiary, entered into an Outsourcing Operating Assistance Services Agreement with Southwestern's indirect wholly owned subsidiary Minera del Suroeste SAC ("MISOSA"), whereby MISOSA agreed to provide Collasuyo with office space, use of MISOSA's facilities and secretarial and accounting services in Peru. In August 2009 the agreement between Collasuyo and MISOSA was cancelled and the agreement in Canada was amended such that the Zincore staff would provide administrative services to Hochschild, who at that time was a 36.9% shareholder but is no longer, in return for Zincore using Southwestern's existing office space. In addition the Company paid remuneration for management services to companies controlled by directors in common. Details of these related party transactions are as follows:

	YEAR ENDED DECEMBER 31, 2009		YEAR ENDED DECEMBER 31, 2008	
Administrative services agreements	\$	85,645	\$	188,307
Remuneration paid to a company controlled by a director	\$	199,864	\$	164,900

On June 22, 2009, The Company executed a bridge loan agreement with a wholly owned subsidiary of Hochschild to provide up to U.S. \$1 million in working capital to Zincore. For details see "Financial Condition, Liquidity and Capital Resources" section above.

FOURTH QUARTER

Zincore continued to re-start operations after its successful closing of a \$6,015,000 financing in September. Efforts to secure community access agreements in the Yanque and Minascassas areas continued as well as consultants have been engaged to prepare a mine optimization report for the Accha Zinc Oxide District. The Company's continuous search for new prospects led to the signing in January 2010 of the Pembroke option agreement discussed above.

Zincore granted 3,225,000 stock options during the fourth quarter at a strike price of \$0.25 to its board members, management, and employees. This resulted in the recording of stock-based compensation expense totalling \$280,956.

After writing off the mineral property costs of all its Chilean properties earlier in the year, the Company decided to cease operations in Chile.

PROPOSED TRANSACTIONS

As is typical of the mineral exploration and development industry, Zincore is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Zincore's financial instruments consist of cash and cash equivalents, prepaids, advances and other receivables, accounts payable, accrued liabilities, due to affiliated companies, other assets and long term obligations. The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Prepaids, advances and other receivables and other assets are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued charges, and long term obligations are classified as other financial liabilities, which are measured at amortized cost.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

These audited consolidated financial statements have been prepared on a going concern basis which assumes Zincore will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to continue to operate for the foreseeable future is conditional upon its ability to secure additional equity capital, divest assets or generate cash flow from operations in the future, none of which are assured. The Company has incurred operating losses since inception and has no source of operating cash flow. Due to market fluctuations and the inherent risks in the exploration industry, there can be no assurance that management's future financing actions will be successful.

An inability to raise additional financing may impact the future assessment of Zincore as a going concern under CICA 1400 General Standards of Financial Statement Presentation. If the going concern assumption becomes inappropriate for these financial statements, then adjustments would be necessary in the carrying values of assets, liabilities, the reported income, and expenses and the balance sheet classifications used. Such adjustments could be material.

Based on the Company's plans and budgets, management estimates that the Company has sufficient funds to operate through the next 12 months.

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.

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 mineral reserves and the Company's ability to obtain the necessary financing to complete 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. The amounts shown for mineral properties represent costs incurred to date less write-downs, if any, and are not intended to reflect present or future values.

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.

The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and the expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate. The Company relies on market and historical information as the basis for these assumptions.

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.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

In February 2008, the CICA issued a new Handbook Section 3064 - Goodwill and Intangible Assets ("Section 3064"), which replaces CICA Handbook Sections 3062 - Goodwill and Other Intangible Assets ("Section 3062") and 3450 - Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill are unchanged from the standards included in Section 3062. The new Section is applicable to the Company's financial statements for its fiscal year beginning January 1, 2009. The adoption of this section in 2009 did not have a material impact to the Company's consolidated financial statements.

On January 20, 2009, the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-173. The Company adopted this recommendation January 1, 2009. The adoption of this section in 2009 did not have a material impact to the Company's consolidated financial statements.

In March 2009, the CICA issued EIC Abstract 174 - Mining Exploration Costs ("EIC-174") which supersedes EIC Abstract 126 - Accounting by Mining Enterprises for Exploration Costs ("EIC-126"), to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and when an impairment test of these costs is required. EIC-174 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year ending December 2009, with retroactive application. The adoption of this section in 2009 did not have a material impact to the Company's consolidated financial statements.

In May 2009, the CICA amended Section 3862, Financial Instruments – Disclosures, to include additional disclosure requirements about fair market value measurements for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

SHARE CAPITAL INFORMATION

As at the date of this MD&A, Zincore has an unlimited number of common shares authorized for issuance, with 103,334,833 common shares issued and outstanding.

In January 2010 the Company granted 200,000 stock options at an exercise price of \$0.30 and expiring in January 2015. As at the date of this MD&A, Zincore has 5,054,668 stock options outstanding with a weighted average exercise price of \$0.34 per option. Of this total, 2,737,995 stock options are exercisable with a weighted average exercise price of \$0.41.

The Company has two classes of preferred shares authorized with none issued.

RISKS AND UNCERTAINTIES

Limited liquidity, Additional financing and Uncertainty of such financing

Current financial resources are able to fund the Company's operations. The Company will require additional financing, however, to conduct exploration programs on its properties and fund corporate costs that are beyond the current financial resources. There is no assurance that the Company will be successful in obtaining the required financing either through issuance of common shares, divestment of properties or partnerships. A lack of financing would cause the Company to further postpone its exploration plans, reduce its technical staff, may necessitate reducing mineral concessions and/or will cause going concern issues for the Company.

Dilution

Issuances of additional securities at or near the current share price of the Company would result in significant dilution of the equity interests of any persons who are holders of common shares.

Market condition and liquidity crisis

The global liquidity crisis of 2008-2009 resulted in extreme volatility in the equity and metal markets and negatively impacted common share prices of base metal junior exploration companies including that of Zincore. Although current conditions have improved, future market conditions and the valuation of Zincore and other junior mineral development companies may make the environment for raising additional financing difficult.

Inversiones Pacasmayo as a major shareholder

Inversiones Pacasmayo owns 36.9% of Zincore's common shares. Any action by Inversiones Pacasmayo to acquire, divest, or alter its stake in common shares of Zincore may affect the share price of Zincore and/or its ability to raise financing.

Share price subject to volatility

The market price of the securities of a publicly traded issuer, in particular a junior resource issuer, is affected by many variables not directly related to exploration success, including the market for junior resource securities, economic performance, market liquidity, commodity prices, availability of alternative investments and the breadth of the public market for the securities.

Metal prices subject to volatility

Zincore's mineral resources are zinc and lead. Zinc and lead are traded on exchanges and their prices have been volatile and are affected by, among other things, forecast global economic conditions, and current supply and demand. While Zincore does not currently produce or sell any metals, the value of its mineral resources and its projects are impacted by current and future expected prices of zinc and lead.

No History of Earnings

To date, the Company has had no revenue from the exploration activities on its properties. The Company has not yet determined that development activity is warranted on any of its properties. Even if the Company does undertake development activity on any of its properties, there is no certainty that the Company will produce revenue, operate profitably or provide a return on investment in the future.

Mineral Exploration and Development Activities Are Inherently Risky

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. At present, the Company has not yet determined that development activity is warranted on any of its properties. Unusual or unexpected formations, formation pressures, power outages, labour disruptions, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. These factors can all affect the timing, cost and success of exploration programs and any future development. Although the Company carries liability insurance with respect to its mineral exploration operations, the Company may become subject to liability for damage to life and property, environmental damage, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. There are also physical risks to the exploration personnel working in the rugged terrain of Peru, Canada, and Mexico often in difficult climate conditions.

Previous operations may have caused environmental damage at certain of the Company's properties. It may be difficult or impossible to assess the extent to which such damage was caused by the Company or by the activities of previous operators, in which case, any indemnities and exemptions from liability may be ineffective, and the Company may be responsible for the costs of reclamation.

If any of the Company's properties move to a development stage, the Company would be subject to additional risks respecting any development and production activities.

Uncertainty of Acquiring Required Permits or Community Access Agreements

The Company must obtain additional permits to complete its planned exploration and development programs. Prior to applying for permits, access agreements with local communities are required in certain jurisdictions including Peru. There is no assurance that the Company will be able to obtain the permits or access agreements or obtain them in a timely manner.

Uncertainty of Quantification / Estimation of Mineral Resource & Mineral Reserves

The figures for mineral resources for the Accha and Yanque deposits and for mineral reserves for the Accha deposit are estimates and no assurance can be given that the stated tonnages and grades will be achieved.

Dependence on Management

The Company will be dependent upon the personal efforts and commitment of its management, which is responsible for the development of future business. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Directors may have potential conflicts of interest

Certain of the Company's directors and officers may serve as directors and/or officers of other public and private companies and devote a portion of their time to manage other business interests. This may result in certain conflicts of interest, to the extent that such other companies may participate in ventures in which the Company is also participating. The laws of British Columbia

require the directors and officers to act honestly, in good faith, and in the best interests of the Company. In addition, each director must declare his or her interest and abstain from voting on any contract or transaction in which the director may have a conflict of interest.

Political Investment Risk; Political Instability in Developing Countries

Some of the Company's mineral interests are in countries that may be affected by varying degrees of political instability and the policies of other nations in respect of these countries. These risks and uncertainties include military repression, political and labour unrest, fluctuations in currency exchange rates, rates of inflation, terrorism, hostage taking and expropriation.

The Company's exploration and development activities may be affected by changes in government, political instability and the nature of various government regulations relating to the mining industry. The Company cannot predict the government's positions on foreign investment, mining concessions, land tenure, environmental regulation or taxation. A change in government positions on these issues could adversely affect the Company's business and/or its holdings, assets and operations in Peru or Mexico. Any changes in regulations or shifts in political conditions are beyond the control of the Company. The Company's operations in Peru and Mexico entail governmental, economic, social, medical and other risk factors common to all developing countries. See "Economic Uncertainty in Developing Countries". The status of Peru and to an extent Mexico as developing countries may make it more difficult for the Company to obtain any required financing because of the associated investment risks.

Economic Uncertainty in Developing Countries

The Company's operations in Peru and to an extent Mexico may be adversely affected by economic uncertainty characteristic of developing countries. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and safety factors. Any such changes could have a material adverse effect on the Company's results of operations and financial condition.

Exploration and development in Peru and Mexico are also subject to risk. These countries have been favourable to the mining industry and have been relatively stable over the past 10 years, but there is a risk that this could change. In addition, there are risks that labour unrest or wage agreements may impact operations. The Company believes that the current conditions in Peru and Mexico are relatively stable and conducive to conducting business, however, Zincore's current and future mineral exploration activities could be impacted by political and/or economic developments.

Risks Relating to Statutory and Regulatory Compliance

The current and future operations of the Company, from exploration through development activities and commercial production, if any, are and will be governed by laws and regulations governing mineral concession acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities and in the development and operation of mines and related facilities may experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Permits are subject to the discretion of government authorities and there can be no assurance that the Company will be successful in obtaining all required permits. Further, there can be no assurance that all permits which the Company may require for future exploration, construction of mining facilities and conduct of mining operations, if any, will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project which the Company may undertake.

Failure to comply with applicable laws, regulations and permits may result in enforcement actions there under, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. The Company is not currently covered by any form of environmental liability insurance. See "Insurance Risk", below.

Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in exploration.

Current Mineral Exploration Conditions

The current infrastructure in Peru, Mexico and Canada is adequate to support the Company's current activities at its properties. However, if advanced exploration and/or development are undertaken at its properties, infrastructure will require augmentation.

Title Risks

The acquisition of title to resource properties or interests therein is a detailed process. Title to the area of resource concessions may be disputed. Based on a review of records maintained by the relevant government agencies in Peru Zincore's properties are registered in the name of the Company, are under application to the applicable government authority or are held on behalf of the Company pursuant to a legal agreement. There is no guarantee of title to any of the Company's properties. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Title may be based upon interpretation of a country's laws, which laws may be ambiguous, inconsistently applied and subject to reinterpretation or change. The Company has not surveyed the boundaries of any of its mineral properties and consequently the boundaries of the properties may be disputed.

Fluctuation of Mineral Prices

Factors beyond the control of the Company may affect the market price of minerals produced and the marketability of any ore or minerals discovered at and extracted from the Company's properties. Resource prices have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control including international economic and political trends, inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new and improved extraction and production methods. The effect of these factors cannot accurately be predicted.

Foreign Currency Fluctuations

The Company's exploration activities in Peru and Mexico will render it subject to foreign currency fluctuations. While the Company expects to minimize the risks associated with foreign currency fluctuations by holding its cash and short-term investments in U.S. and Canadian dollars rather than the local currencies, to the extent that its operations in those countries are carried out using the local currency, any appreciation of such local currency relative to the U.S. and Canadian dollar could have an adverse impact on the financial position of the Company. Since the Company's financial results will be reported in Canadian dollars, its financial position and results will be impacted by exchange rate fluctuations between the Canadian and U.S. dollars.

Repatriation of Earnings

Peru and Mexico have no limitation on profit or capital remittances to foreign shareholders provided that all applicable income and, in certain cases, withholding taxes have been paid. However, there can be no assurance that additional restrictions on the repatriation of earnings will not be imposed in the future.

Insurance Risk

No assurance can be given that insurance to cover the risks to which the Company's activities are subject will be available at all or at commercially reasonable premiums. The Company maintains insurance within ranges of coverage which it believes to be consistent with industry practice for companies of a similar stage of development. The Company carries liability insurance with respect to its mineral exploration operations, but does not currently intend to carry any form of political risk insurance or any form of environmental liability insurance, since insurance against political risks and environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is prohibitively expensive. The payment of any such liabilities would reduce the funds available to the Company. If the Company is unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into costly interim compliance measures pending completion of a permanent remedy.

Competition

Significant and increasing competition exists for mineral deposits in each of the jurisdictions in which the Company conducts operations. As a result of this competition, much of which is with large established mining companies with substantially greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mining claims or financing on terms it considers acceptable. The Company also competes with other mining companies in the recruitment and retention of qualified employees.

Legal Proceedings

Notwithstanding the Company has projects in Canada, substantially all of the Company's assets are located outside of Canada, which may create difficulties in enforcing in Canadian courts any judgments obtained by the Company in foreign jurisdictions. Similarly, to the extent that the Company's assets are located outside of Canada, investors may have difficulty collecting from the

Company on any judgments obtained in Canadian courts and predicated on the civil liability provisions of securities legislation. The Company may be subject to legal proceedings and judgments in foreign jurisdictions.

Dividends Unlikely

The Company has not paid any dividends since the date of its incorporation, and it is not anticipated that dividends will be declared in the short or medium term.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

The Company has assessed its capabilities to manage the transition of its financial reporting to IFRS. The Company believes the skills and resources exist within the Company’s accounting team to manage the transition to IFRS with limited external assistance.

The Company has an IFRS changeover plan covering financial statement preparation, education, IT infrastructure and the internal control environment. Initial activities have commenced in each of these areas.

The Company has assessed the impacts of the adoption of IFRS on its financial statements. Based on this assessment, including the accounting policy choices available under IFRS and considering the current operations of Zincore, the conversion is expected to have limited impact on the substance of the financial statements. Certain presentation differences will be noted. During 2009 certain IFRS policies have been selected as well as which elections are to be made under IFRS 1. The Canadian dollar will be the presentation currency.

A review of the key IT support systems indicates the current systems are IFRS compliant.

As a result of the limited impact on the substance of the financial statements, the conversion of IFRS is expected to have limited impact on the control environment of the Company.

The Company currently has no material commercial agreements that will be impacted by the conversion to IFRS.

DISCLOSURE CONTROLS AND PROCEDURES

As required by Multilateral Instrument 52-109, management is responsible for the design, establishment and maintenance of disclosure controls and procedures over the public disclosure of financial and non-financial information regarding the Company, and internal control over financial reporting to provide reasonable assurance regarding the integrity of the Company’s financial information and reliability of its financial reporting. Management maintains appropriate information systems, procedures and controls to ensure integrity of the financial statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. The Company has a Disclosure and Stock Trading Policy and a Disclosure Committee in place to mitigate risks associated with the disclosure of inaccurate or incomplete information.

The Company’s management, with the participation and under the supervision of its Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), have designed the disclosure controls and procedures to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them on a timely basis; and designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company’s financial reporting.

The Company has maintained accounting personnel in Peru, and has a contract with a third party in Mexico. The Company also had a contract with Southwestern for accounting services in Vancouver. In August 2009, Southwestern’s finance staff was hired by Zincore. Although the Company’s finance staff is small in number management believes appropriate segregation of duties within the finance department has been maintained. However, where segregation of duty deficiencies exist, the Company relies on certain compensating and detection controls, including dual signatories on all cash disbursements, review and approvals of all bank reconciliations by persons other than the preparer, and quarterly and annual review of financial statements and other information by the Audit Committee.

An evaluation of the effectiveness of the Company's disclosure controls and procedures was conducted as of December 31, 2009. Based upon the results of that evaluation, the Company's CEO and CFO have concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective in providing reasonable assurance that the material information relating to the Company was made known to them on a timely basis and was processed and disclosed within the appropriate reports and time periods. The Company's management also evaluated the effectiveness of the Company's internal controls over financial reporting and concluded that as at December 31, 2009 such controls were effective.

The Company's management believes that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Due to the inherent limitations in all controls systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

AUDITORS' REPORT

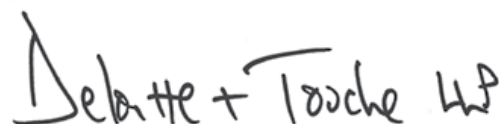
To the Shareholders of Zincore Metals Inc.

We have audited the consolidated balance sheets of Zincore Metals Inc. as at December 31, 2009 and 2008 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Handwritten signature of Deloitte + Touche LLP in black ink.

Vancouver, British Columbia
March 11, 2010

CONSOLIDATED BALANCE SHEETS

	AS AT DECEMBER 31, 2009	AS AT DECEMBER 31, 2008
Assets		
Current		
Cash and cash equivalents	\$ 4,869,057	\$ 1,255,676
Prepays, advances and other receivables	50,019	234,275
	4,919,076	1,489,951
Other assets	20,997	20,997
Exploration advances and other receivables	16,919	4,875
Property, plant, and equipment (note 4)	80,954	155,944
Mineral properties (note 5)	16,050,110	15,545,783
	\$ 21,088,056	\$ 17,217,550
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 218,705	\$ 181,040
Due to affiliated companies	-	742
	218,705	181,782
Long term obligation (note 6)	20,686	-
Shareholders' Equity		
Share capital (note 7)	29,993,077	23,961,364
Contributed surplus (note 7)	1,918,048	1,636,125
Deficit	(11,062,460)	(8,561,721)
	20,848,665	17,035,768
	\$ 21,088,056	\$ 17,217,550


Nature and continuance of operations (note 1)

See accompanying Notes to the Consolidated Financial Statements

APPROVED BY THE BOARD



JORGE BENAVIDES



W. DAVID BLACK

CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

	YEAR ENDED DECEMBER 31, 2009	YEAR ENDED DECEMBER 31, 2008
Expenses		
Consulting and management fees	\$ 560,895	\$ 677,164
General exploration	692,316	1,109,277
Foreign exchange loss (gain)	19,313	(222,003)
Legal and accounting	63,385	203,937
Shareholder information	95,494	197,231
Salaries and benefits	598,937	227,529
Office expense	164,811	260,852
Depreciation	6,110	11,787
Loss on sale of property, plant, and equipment	41,497	10,082
Mineral property costs written off (note 5)	194,852	1,299,009
Travel	72,782	69,029
	<hr/>	<hr/>
Loss before undernoted item	(2,510,392)	(3,843,894)
Interest and other income	9,653	129,202
	<hr/>	<hr/>
Net loss and comprehensive loss for the year	\$ (2,500,739)	\$ (3,714,692)
Deficit, beginning of year	(8,561,721)	(4,847,029)
	<hr/>	<hr/>
Deficit, end of year	\$ (11,062,460)	\$ (8,561,721)
	<hr/>	<hr/>
Loss per share - basic and diluted	\$ (0.03)	\$ (0.05)
	<hr/>	<hr/>
Weighted average number of shares outstanding	85,218,038	79,124,833
	<hr/>	<hr/>

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASHFLOWS

	YEAR ENDED DECEMBER 31, 2009	YEAR ENDED DECEMBER 31, 2008
Operating Activities		
Net loss for the year	\$ (2,500,739)	\$ (3,714,692)
Items not involving cash:		
Mineral property costs written off	194,852	1,299,009
Loss on sale of property, plant, and equipment	41,497	10,082
Depreciation	6,110	11,787
Stock-based compensation (note 7)	292,153	276,891
	(1,966,127)	(2,116,923)
Change in non-cash operating working capital		
Decrease in prepaids, advances and other receivables	64,368	87,227
(Decrease) increase in accounts payable and accrued liabilities	(3,727)	10,938
Cash used in operating activities	(1,905,486)	(2,018,758)
Investing Activities		
Dispositions of property, plant and equipment	9,979	9,035
Mineral property expenditures	(484,638)	(5,267,906)
Cash used in investing activities	(474,659)	(5,258,871)
Financing Activities		
Shares issued (net of share issue costs)	6,021,483	-
Increase in long term obligation	20,686	-
Notes payable issued	548,350	-
Notes payable repaid	(548,350)	-
Cash provided by financing activities	6,042,169	-
Effects of exchange rate change on cash and cash equivalents held in a foreign currency	(48,643)	137,837
Increase (decrease) in cash and cash equivalents during the year	3,613,381	(7,139,792)
Cash and cash equivalents at beginning of year	1,255,676	8,395,468
Cash and cash equivalents at end of year	\$ 4,869,057	\$ 1,255,676
Non-cash investing and financing item:		
Interest paid	\$ 9,042	\$ 112
Interest received	\$ 11,253	\$ 128,196

See accompanying Notes to the Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2009 and 2008

1/ NATURE AND CONTINUANCE OF OPERATIONS

Zincore Metals Inc. ("Zincore" or the "Company") is an exploration company focused on the identification, acquisition, exploration, evaluation and development of zinc and related base metals projects in the Americas. Its primary objective is to define economically feasible projects through focused exploration and to develop, joint venture, or sell properties of economic merit.

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"), now a wholly owned subsidiary of Hochschild Mining plc ("Hochschild"). 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 and commenced trading on the Toronto Stock Exchange ("TSX").

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

The Company's continuing operations are dependent upon its ability to secure additional equity capital, divest assets or generate cash flow from operations in the future, none of which are assured. These consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary, should the Company be unable to secure additional equity capital or generate sufficient cash to continue operations in the future.

2/ CHANGES IN ACCOUNTING POLICIES

In February 2008, the CICA issued a new Handbook Section 3064 - Goodwill and Intangible Assets ("Section 3064"), which replaces CICA Handbook Sections 3062 - Goodwill and Other Intangible Assets ("Section 3062") and 3450 - Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill are unchanged from the standards included in Section 3062. The new Section is applicable to the Company's financial statements for its fiscal year beginning January 1, 2009. The adoption of this section in 2009 did not have a material impact to the Company's consolidated financial statements.

On January 20, 2009, the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-173. The Company adopted this recommendation January 1, 2009. The adoption of this section in 2009 did not have a material impact to the Company's consolidated financial statements.

In March 2009, the CICA issued EIC 174 - Mining Exploration Costs ("EIC-174") which supersedes EIC 126 - Accounting by Mining Enterprises for Exploration Costs ("EIC-126"), to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and when an impairment test of these costs is required. EIC-174 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year ending December 2009, with retroactive application. The adoption of this section in 2009 did not have a material impact to the Company's consolidated financial statements.

In May 2009, the CICA amended Section 3862, Financial Instruments – Disclosures, to include additional disclosure requirements about fair market value measurements for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The required disclosures are included in Note 12 to the consolidated financial statements.

3/ SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION

The consolidated financial statements are prepared in accordance with 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. Financial assets classified as 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.

The Company has designated its cash and cash equivalents as held-for-trading. Other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and long term obligation are classified as other liabilities, which are measured at amortized cost.

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 mineral 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 will be subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability will be accreted, by charges to operations, to its estimated normal future value. The Company currently does not have any material asset retirement obligations.

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 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 provided a full valuation allowance 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) LOSS PER SHARE

Loss per share is computed by dividing net 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, diluted loss per share is not presented.

L) FUTURE ACCOUNTING PRONOUNCEMENTS

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations (“Section 1582”), 1601 – Consolidated Financial Statements (“Section 1601”) and 1602 – Non-controlling Interests (“Section 1602”) which replaces CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted. Adoption of these sections as of January 1, 2010, is not expected to have a material impact on the Company's consolidated financial statements.

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

4/ PROPERTY, PLANT AND EQUIPMENT

	AS AT DECEMBER 31, 2009		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Office and other equipment	\$ 86,364	\$ 37,863	\$ 48,501
Computer equipment	42,923	23,115	19,808
Leasehold improvements	6,177	4,442	1,735
Vehicles	31,891	20,981	10,910
	\$ 167,355	\$ 86,401	\$ 80,954

	AS AT DECEMBER 31, 2008		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Office and other equipment	\$ 107,664	\$ 33,452	\$ 74,212
Computer equipment	104,798	41,129	63,669
Leasehold improvements	6,177	2,897	3,280
Vehicles	31,891	17,108	14,783
	\$ 250,530	\$ 94,586	\$ 155,944

Depreciation relating to exploration related assets in the amount of \$17,404 (2008- \$42,962) has been allocated to mineral properties during the year.

5/ MINERAL PROPERTIES

A) For the year ended December 31, 2009:

	ACCHA ZINC OXIDE DISTRICT	MINASCCASA	OTHER	TOTAL
Balance, beginning of period	\$ 15,391,438	\$ –	\$ 154,345	\$ 15,545,783
Property, acquisition and maintenance	131,194	–	48,052	179,246
Analytical	–	–	1,493	1,493
Geology	269,968	6,148	25,046	301,162
Technical and engineering	112,489	–	–	112,489
Project administration	21,356	83,433	–	104,789
Property costs written off	–	–	(194,852)	(194,852)
Balance, end of period	\$ 15,926,445	\$ 89,581	\$ 34,084	\$ 16,050,110

B) For the year ended December 31, 2008:

	ACCHA ZINC OXIDE DISTRICT	MINASCCASA	CONDORINI	OTHER	TOTAL
Balance, beginning of period	\$ 10,946,016	\$ 750,831	\$ 106,208	\$ 70,872	\$ 11,873,927
Property, acquisition and maintenance	166,573	12,764	11,394	105,733	296,464
Analytical	257,907	–	12,071	3,422	273,400
Geology	1,641,737	3,888	31,163	87,534	1,764,322
Drilling	968,895	–	129,285	–	1,098,180
Technical and engineering	976,441	–	–	–	976,441
Research	2,317	–	136	568	3,021
Project administration	550,428	5,922	2,077	610	559,037
Property costs written off	(118,876)	(773,405)	(292,334)	(114,394)	(1,299,009)
Balance, end of period	\$ 15,391,438	\$ –	\$ –	\$ 154,345	\$ 15,545,783

The Company holds a 100% interest in the Accha Zinc Oxide District, Minascasa and Other properties.

In January 2010, the Company announced that it had entered into an option agreement with Pembroke Mining Corp. (“Pembroke”) to earn a 100% interest in Pembroke’s Cariboo and Sajapampa zinc-lead properties located in Canada and Peru, respectively. Under the terms of the agreement, Zincore can earn a 100% interest in the properties by incurring exploration

expenditures of \$875,815 within the first year and issuing five million Zincore shares to Pembroke over a three-year period. Pembroke will retain a 2% NSR on the properties and Zincore will be entitled to buy back one of those two percentage points for \$1.5 million at any time, as well as have a pre-emptive right to purchase in the event Pembroke wishes to sell any portion of the royalty. A small portion of the Sajapampa property (800 of 6,000 hectares) is subject to an underlying agreement with Pembroke's wholly owned subsidiary, pursuant to which an additional \$350,000 in payments must be made on or before April 2013, and a 2% NSR is payable. One percentage point of this net smelter return royalty can be bought back for U.S. \$1.0 million. The underlying agreement is being assigned to the Company.

During the year the Company wrote off expenditures totalling \$194,852 relating to all its mineral properties in Mexico and Chile.

In 2008 the Company wrote-off mineral property expenditures relating to its Condorini and Minascasa properties and certain early stage properties in Peru and Chile. Write-offs in 2008 totalled \$1,299,009. The carrying value of Condorini was expensed due to Zincore's withdrawal from the earn-in agreement regarding the property. The carrying value of Minascasa was impaired principally due to the lack of exploration on the property over the preceding three years. The Company continues to pursue a community access agreement to enable exploration to commence and remains of the view that the Minascasa property holds significant exploration potential. The early stage properties in Peru and Chile were impaired due to the low probability of significantly advancing their exploration considering the current market conditions for financing. In 2009, significant progress was made regarding community relations on the Minascasa project and the Company commenced capitalization of expenditures on this project once again.

6/ LONG TERM OBLIGATION

Effective January 15, 2009, the Company subleased its office space in Vancouver to a non-related third party subtenant. Under the Sublease Agreement the subtenant paid to Zincore the equivalent of two months rent and operating expenses to be held interest free and half applied against the subtenant's last month rent and operating costs and the residual will be given back to the subtenant at the expiration of the lease under the Agreement. The office lease is set to expire on March 31, 2011. This Sublease Agreement fully funds the remaining obligations the Company has under its own lease agreement for the office space.

7/ 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. To date no preferred shares have been issued.

B) CHANGES IN ISSUED SHARE CAPITAL AND CONTRIBUTED SURPLUS WERE AS FOLLOWS:

	NUMBER OF COMMON SHARES	AMOUNT	CONTRIBUTED SURPLUS
AT JANUARY 1, 2008	79,124,833	\$ 23,961,364	\$ 828,294
Stock-based compensation	–	–	276,891
AT DECEMBER 31, 2008	79,124,833	\$ 23,961,364	\$ 1,636,125
Private Placement (net of share issue costs)	24,060,000	6,001,983	–
Stock options	150,000	29,730	(10,230)
Stock-based compensation	–	–	292,153
AT DECEMBER 31, 2009	103,334,833	\$ 29,993,077	\$ 1,918,048

On September 30, 2009, the Company completed a non-brokered private placement of its common shares. The financing consisted of 24,060,000 common shares at a price of \$0.25 per share, for gross proceeds of \$6,015,000.

C) STOCK OPTIONS

The Company has a stock option plan providing for the issuance of options that shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company as at the date of grant of the options. The Company may grant options to directors, officers, employees, consultants and other personnel of the Company or any of its subsidiaries. The exercise price of each option is the volume weighted average trading price for the last five trading days prior to the date of grant of options. The option vesting periods are established by the Board of Directors or Exchange policies if applicable. Options may not be granted for a term exceeding ten years and all options granted to date have been for a term of five years.

At December 31, 2009 there were 4,888,000 stock options outstanding, of which 2,737,995 are exercisable.

	AT DECEMBER 31, 2009		AT DECEMBER 31, 2008	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	5,291,992	\$ 0.50	5,013,000	\$ 0.59
Granted	3,225,000	\$ 0.25	1,488,000	\$ 0.27
Exercised	(150,000)	\$ 0.13	–	\$ –
Forfeited	(3,478,992)	\$ 0.52	(1,209,008)	\$ 0.60
Outstanding at end of year	4,888,000	\$ 0.34	5,291,992	\$ 0.50
Exercisable at end of year	2,737,995	\$ 0.41	4,633,983	\$ 0.53

EXERCISE PRICE RANGE	NUMBER OF OPTIONS OUTSTANDING	NUMBER OF OPTIONS EXERCISABLE	WEIGHTED-AVERAGE REMAINING YEARS
\$0.13-\$0.19	150,000	150,000	3.6
\$0.20-\$0.39	3,522,000	1,371,995	4.6
\$0.40-\$0.59	709,000	709,000	1.8
\$0.60-\$0.78	507,000	507,000	2.2
	4,888,000	2,737,995	3.9

In January 2010 the Company granted 200,000 stock options at an exercise price of \$0.30 and expiring in January 2015.

As a result of stock options vesting and the amortization of previous grants, during the year ended December 31, 2009 the Company recognized \$292,153(2008 – \$276,891) as stock-based compensation expense and recorded this amount in contributed surplus. These amounts were recorded as follows:

	YEAR ENDED DECEMBER 31, 2009	YEAR ENDED DECEMBER 31, 2008
Consulting and management fees	\$ 9,489	\$ 86,281
General exploration	41,762	100,986
Salaries and benefits	240,902	89,624
Total	\$ 292,153	\$ 276,891

The value of the stock options granted during the year ended December 31, 2009 and 2008 was determined using the Black-Scholes option pricing model. In 2009, the weighted average grant-date fair value of \$0.15(2008 - \$0.15) for each option granted was estimated using the following weighted average assumptions: no dividends are to be paid; volatility of 173% (2008 – 79%); risk free interest rate of 2.3% (2008 – 3.3%); and expected life of 3.5 years (2008 – 3.5 years).

8/ 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, 2009	DECEMBER 31, 2008
Canadian statutory income tax rate	30%	31%
Recovery of income taxes computed at statutory rate	\$ 750,222	\$ 1,151,555
Non-deductible expenses	(94,412)	(99,901)
Effect of lower tax rates of foreign jurisdictions	8,159	(148,881)
Rate changes and others	(148,703)	(98,846)
Change to valuation allowance	(515,266)	(803,926)
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, 2009		DECEMBER 31, 2008	
Operating loss carry forwards	\$	2,037,515	\$	1,442,516
Share issue costs		108,350		228,414
Excess of book over tax value of assets		5,075		5,495
Less: Valuation allowance		(2,150,940)		(1,676,425)
Net future income tax liability	\$	–	\$	–

At December 31, 2009 the Company had loss carry forwards available for tax purposes totalling \$5,749,385 in Canada expiring in 2026, 2027, 2028, and 2009, \$1,964,997 in Peru, expiring between 2010 and 2014, and \$62,763 in Mexico.

At December 31, 2008 the Company had loss carry forwards available for tax purposes totalling \$4,029,188 in Canada expiring in 2026, 2027, and 2028, \$1,213,501 in Peru, and \$63,024 in Chile.

9/ 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:

	AT DECEMBER 31, 2009		AT DECEMBER 31, 2008	
Peru	\$	16,133,388	\$	15,539,841
Canada		35,592		58,808
Chile		–		101,581
Mexico		–		27,369
Total	\$	16,168,980	\$	15,727,599

10/ RELATED PARTY TRANSACTIONS

Zincore had a Services Agreement with Southwestern, up until July 31, 2009, whereby Southwestern agreed to provide the Company with accounting, corporate secretarial and other services in Canada. Exploraciones Collasuyo S.A.C. ("Collasuyo"), Zincore's indirect wholly owned subsidiary, entered into an Outsourcing Operating Assistance Services Agreement with Southwestern's indirect wholly owned subsidiary Minera del Suroeste SAC ("MISOSA"), whereby MISOSA agreed to provide Collasuyo with office space, use of MISOSA's facilities and secretarial and accounting services in Peru. In August 2009 the agreement between Collasuyo and MISOSA was cancelled and the agreement in Canada was altered to say that the Zincore staff would provide administrative services to Hochschild, who at that time was a 36.9% shareholder but is no longer, in return for Zincore using Southwestern's existing office space. In addition the Company paid remuneration for management services to companies controlled by directors in common. Details of these related party transactions are as follows:

	YEAR ENDED DECEMBER 31, 2009		YEAR ENDED DECEMBER 31, 2008	
Administrative services agreements	\$	85,645	\$	188,307
Remuneration paid to a company controlled by a director	\$	199,864	\$	164,900

On June 22, 2009, the Company executed a bridge loan agreement with a wholly owned subsidiary of Hochschild, to provide up to U.S. \$1 million in working capital to Zincore. The loan had a term of one year with principal and accrued interest repayable in cash upon completion of an equity financing. In the event the loan was outstanding at the end of the term, principal and accrued interest was repayable, subject to any required regulatory and shareholder approvals, in common shares based on a 15% discount to the market price of common shares at that time. Any outstanding loan balance accrued interest at U.S. dollar one-year LIBOR plus 8%. During the year the Company received and repaid U.S. \$500,000 as well as paid U.S. \$8,245 in interest from the proceeds of the private placement described in note 7(b). The Company has no further obligations relating to this agreement.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related party.

11/ MANAGEMENT OF CAPITAL RISK

The capital structure of the Company consists of equity attributable to common shareholders, comprising issued capital, contributed surplus and deficit. Its capital resources consist of cash, cash equivalents and tax credits receivable. The Company manages its capital to fund its exploration and development expenditures and corporate costs with the primary objective of maintaining adequate liquidity within the Company to safeguard its ability to continue as a going concern while minimizing dilution to current equity holders.

To effectively manage its resources and minimize risk the Company maintains the majority of its capital at the parent company level and funds activities in its operating subsidiaries through a monthly cash call process. The Company prepares annual expenditure budgets that are updated as necessary depending on factors including success of programs and general industry conditions. The budget and any revisions to it are approved by the Board of Directors (the "Board").

The Company maintains an investment policy that specifies the investment products and credit exposures permitted relating to the short term investments of the Company's cash (the "Cash Investment Policy").

The Company is not subject to any externally imposed capital requirements and it does not have exposure to asset backed commercial paper or similar products.

12/ MANAGEMENT OF FINANCIAL RISK

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk and price risk (including currency and interest rate risks). The risk related to financial instruments is managed by the senior management of the Company under policies and directions approved by the Board. Relevant policies include the Cash Investment Policy and the approval allowing a portion of the Company's cash to be held in United States dollars at the discretion of the Chief Financial Officer. The Board monitors these policies on a quarterly basis. The Company's Board has not approved the use of derivative financial products.

A) FAIR VALUE ESTIMATION

The fair values of the Company's held-for-trading financial instruments are equivalent to their carrying values due to their short term nature. Held-for-trading financial instruments are valued using level 1 measurements.

B) CREDIT RISK

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations.

The Company's cash assets are held in demand accounts in Canada, Peru, and Mexico. All accounts are held at commercial banks with credit ratings of A or higher.

C) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's operating requirements as well as its planned capital expenditures. The Company manages its financial resources to ensure that there is sufficient working capital to fund near term planned exploration work and operating expenditures. The Company has considerable discretion to reduce or increase exploration plans or budgets depending on current or projected liquidity. When appropriate, the Company will seek joint venture partners in order to fund or share in the funding of its exploration properties to minimize shareholder risk.

As discussed in note 7, the Company raised gross proceeds of \$6,015,000 by completing a private placement of common shares. Total budgeted cash expenditures for 2010 on corporate costs, exploration and technical work is approximately \$6.0 million. Budgeted corporate overhead is approximately \$1.8 million. As at December 31, 2009, cash resources totalled \$4,869,057.

The Company is currently evaluating alternatives to raise additional capital to increase liquidity but there is no certainty that additional capital will be raised. However given the considerable discretion to reduce or increase exploration plans the Company has sufficient funds to continue operations through 2010.

D) CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds its cash resources principally in Canadian dollars with a secondary amount held in U.S. dollars and incurs expenses principally in U.S. dollars with smaller exposures mainly to Peruvian soles and Canadian dollars. A weakening Canadian dollar relative to these currencies increases the Company's reported expenses and increases its deferred mineral property investments. However, a weakening Canadian dollar results in a foreign exchange gain on the Company's non-Canadian monetary assets.

A 10% weakening in the Canadian dollar relative to the U.S. dollar would decrease the net loss by approximately \$19,000 during 2010 with a 10% strengthening having the opposite effect.

A 10% weakening of the Canadian dollar relative to the U.S. dollar would increase budgeted deferred mineral property expenditures by approximately \$350,000 during 2010 with the opposite effect of a 10% strengthening. A 10% weakening in the Canadian dollar relative to the Peruvian sole has an immaterial effect on the Company's net earnings or deferred mineral property expenditures.

E) INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through the interest earned on cash and cash equivalents. A one percent decrease in short term rates would decrease interest income and increase net loss of the Company by approximately \$30,624 during 2010.

CORPORATE INFORMATION

Directors

David Black (Chair)
Jorge Benavides
Dan Innes
Roman Friedrich
Arnold Klassen
Myron Osatenko

Officers

Jorge Benavides, President and CEO
Giovanni Susin, VP Finance and CFO
Vernon Arseneau, VP Exploration
Blair Lockhart,
General Counsel and Corporate Secretary

Auditors

Deloitte & Touche LLP
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Notice of Annual Meeting

Cadillac Fairview Meeting Room
Canaccord Tower
Suite 950, 609 Granville St.
Vancouver, British Columbia
Monday, May 3, 2010 at 10am PDT

Stock Exchange Listing

TSX: ZNC

Information Concerning Mineral Resource Estimates

This report uses the terms "measured", "indicated" and "inferred" resources. Zincore advises investors that although this terminology is required and recognized by Canadian regulations (under National Instrument 43-101 Standards of Disclosure for Mineral Projects), the U.S. Securities and Exchange Commission does not recognize it. Investors are cautioned not to assume that any part or all of the mineral deposits in this category will ever be converted into reserves. In addition, "Inferred resources" have a great amount of uncertainty as to their existence and economic feasibility. It cannot be assumed that any part of an inferred mineral resource will be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, or economic studies except for preliminary assessments as defined under NI 43-101.

Forward-looking Statements

Some of the statements in this document constitute "forward-looking statements". Where Zincore expresses an expectation or belief as to future events or results, including management plans and objectives and projections of exploration results, such expectation or belief is expressed in good faith and is believed to have a reasonable basis. While these statements represent our best current judgment, they are subject to risks and uncertainties that could cause actual results to vary, the specifics of which are detailed in disclosures with the heading "Risk Factors" in the Company's periodic filings with securities regulators. Zincore does not assume the obligation to update any forward-looking statement.

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