2009 Q3 Quarterly Report | Zincore Metals Inc.

2009 Q3

Management's Discussion and Analysis

Contents

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

For the three and nine month periods ended September 30, 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 three and nine month periods ended September 30, 2009 and 2008 should be read in conjunction with the Company's unaudited interim financial statements for the three and nine month periods ended September 30, 2009 and 2008 and audited financial statements for the year ended December 31, 2008 all of which are available on the Company's website at www.zincoremetals.com or on the SEDAR website at www.sedar.com. Additional information relating to the Company, including its Annual Information Form ("AIF") dated March 9, 2009, is also available on SEDAR at www.sedar.com.

This MD&A has taken into account information available up to and including November 6, 2009.

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 and related deferred costs is dependant 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.

DESCRIPTION OF BUSINESS

Zincore is engaged in the exploration for zinc and related base metal mineral properties located in Peru and Mexico. Zincore's properties are in the exploration stage and are thus non-producing and consequently do not generate operating income or cash flow from operations. The Company is dependant on additional equity or debt capital or divestitures to finance its activities.

Zincore's main activities are related to exploration, definition drilling and technical studies at its Accha-Yanque property in Peru, initial exploration at its other properties to further assess potential and develop more detailed exploration programs and property acquisition in 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. However as a result of a bridge loan agreement and private placement completed during the second and third quarters of this year, 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. Additionally, metallurgical test work on Yanque ore and the maintenance of its Accha exploration camp continues.

OVERALL PERFORMANCE AND CURRENT ECONOMIC CONDITIONS

The zinc market has rebounded during 2009 with prices opening the year at about U.S.$0.55/lb, ending the first quarter of the year at U.S.$0.59/lb, ending the second quarter of the year at U.S.$0.70/lb and ending the third quarter of the year at U.S. $0.90/lb. Zinc-related equities have rebounded during 2009 as a result of the higher metal prices, but equity prices of exploration and development companies remain 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 have continued to improve during the year even though there is 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 $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 September 30, 2009, the Company had working capital totaling $5,404,302.

Zincore has completed staff restructuring in Vancouver and Peru and has re-initiated exploration activities in Peru. The Outlook section of this MD&A contains further discussion on planned activities. 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 September 30, 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 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, 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 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.

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. As of September 30, 2009 the Company had received and repaid 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.

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RESULTS OF OPERATIONS

	THREE MONTHS ENDED SEPTEMBER 30, 2009	THREE MONTHS ENDED SEPTEMBER 30, 2008
General exploration expense	$ 202,890	$ 235,133
Consulting and management fees	$ 242,157	$ 128,165
Other general and administrative expenses	$ 281,410	$ 230,185
Foreign exchange gain	$ (5,059)	$ (52,005)
Depreciation	$ 1,481	$ 2,800
Gain on sale of property, plant and equipment	$ (450)	$ -
Property costs written off	$ 194,852	$ -
Mineral properties	$ 15,827,597	$ 16,040,268

Total expenses were higher during the third quarter of 2009 relative to the same quarter of 2008 due to increased corporate activity including the hiring of a new CEO, severance costs and office moves both in Vancouver and Lima. Total one-time costs relating to these re-organizing activities totaled approximately $200,000.

General exploration expense in the third quarter of 2009 was lower than the third quarter of 2008, reflecting lower administrative spending in Peru, lower non-property related exploration costs in Peru, Chile and Mexico, and lower stock-based compensation relative to the comparative period.

Consulting and management fees expense increased significantly from $128,165 in the third quarter of 2008 to $242,157 in the same period of 2009. This increase was due to the hiring of a new CEO and a termination payment to a former officer.

Other general and administrative expenses increased in the third quarter of 2009 compared to the third quarter of 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" on page 9 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 stock based compensation.

As a result of stock options vesting and the amortization of previous grants during the three and nine month periods ended September 30, 2009, the Company recognized $569 (September 30, 2008 – $46,727) during the three month period and $11,197 (September 30, 2008 - $264,260) during the nine month period as stock-based compensation expense and recorded this amount in contributed surplus. These amounts were recorded as follows:

	THREE MONTHS ENDED SEPTEMBER 30, 2009	THREE MONTHS ENDED SEPTEMBER 30, 2008
Consulting and management fees	$ 285	$ 15,181
General exploration	284	11,955
Office expense	-	19,591
Total	$ 569	$ 46,727

The stock–based compensation value was determined using the Black-Scholes option pricing model. There were no new grants issued during the first three quarters of 2009. For the nine month period ended September 30, 2008, the weighted average grant-date fair value of $0.15 for each option granted was estimated using the following weighted average assumptions: no dividends are to be paid; volatility of 79%; risk free interest rate of 3.3%; and expected life of 3.5 years.

During the third quarter of 2009 the Company incurred a foreign exchange gain of $5,059 compared to $52,005 in the third quarter of 2008. Foreign exchange gains and losses result primarily from the translation of U.S. dollar denominated monetary assets and liabilities into Canadian dollars. The higher gain in 2008 was primarily the result of higher U.S. dollar cash balances.

During the third quarter of 2009, the Company wrote off expenditures totaling $194,852 relating to all of its mineral properties in Mexico and Chile. The Company is in the process of disposing of its assets and closing 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 have been written off as well. However, the Company plans to continue examining other projects and opportunities in Mexico as they arise.

PROPERTY REVIEW

ACCHA-YANQUE PROPERTY

The 100%-owned Accha-Yanque property 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 numerous other showings on the property and initial exploration on certain targets has been completed.

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 is 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 16,500-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, 2007[1]. 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 PFS[2] 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 now plans to collect additional ore material from the deposit to use for new metallurgical testing during the last quarter of 2009.

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% lead[3]. 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 been completed.

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 indicates 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. Further work, with a focus on improving zinc recoveries, is required and alternate process opportunities are being explored. Results from recent testing using ammonia based leaching technology were not conclusive and the company now plans to collect new material from the deposit to use in further testing using alternative metallurgical techniques.

Other Accha-Yanque Prospects

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. 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.

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[1] **For full details see press release dated December 6, 2007 available on Zincore's website at www.zincoremetals.com or on SEDAR**
[2] **For full details see press release dated May 1, 2008 available on Zincore's website at www.zincoremetals.com or on SEDAR**
[3] **For full details see press release dated March 3, 2008 available on Zincore's website at www.zincoremetals.com or on SEDAR**

Other Exploration Properties

At the 100%-owned Minasccasa property, 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 have begun with community leaders.

The company decided to pull out of Chile as part of its renewed exploration strategy. All activities are being wound down and everything should be closed by early in the fourth quarter of 2009.

In Mexico, field reviews were completed on the three properties staked earlier in 2009. Results were not as good as hoped for and no additional work is planned on these claims. The Company continues to be interested in Mexico, however, and additional property reviews are planned for the fourth quarter of 2009.

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 unaudited interim consolidated financial statements for the three and nine month periods ended September 30, 2009 and 2008 and the audited consolidated financial statements for the years ended December 31, 2008 and 2007.

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 quarter of 2009 was a result of resuming activities following the Company's increased liquidity.

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, and March 31, 2009 Zincore reduced expenditures due to market conditions restricting the financing of exploration and development projects. Quarterly variances in net loss have generally been impacted by five key factors: mineral property write-offs, stock-based compensation expense, foreign exchange gains or losses, interest income and general exploration expense.

Selected Quarterly Financial Data (unaudited)

FISCAL QUARTER ENDED	SEP 30 2009	JUN 30 2009	MAR 31 2009	DEC 31 2008	SEP 30 2008	JUN 30 2008	MAR 31 2008	DEC 31 2007
Interest income	$ 330	$ 2,802	$ 2,480	$ 8,192	$ 15,867	$ 33,754	$ 71,389	$ 97,973
Net loss	$ (916,951)	$ (407,210)	$ (414,561)	$ (1,359,005)	$ (528,411)	$ (985,241)	$ (842,035)	$ (703,186)
Net loss per share	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Total assets	$ 21,541,181	$ 16,711,613	$ 16,765,269	$ 17,217,550	$ 18,705,672	$ 19,414,235	$ 20,399,498	$ 20,863,704
Total liabilities	$ 197,252	$ 466,302	$ 132,946	$ 181,782	$ 323,530	$ 550,409	$ 598,198	$ 390,135

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 Minasccasa 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.

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 $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 U.S. $1 million in working capital. The Bridge Loan Agreement has a term of one year with principal and accrued interest repayable in cash upon completion of an equity financing. In the event the Bridge Loan Agreement is outstanding at the end of the term, principal and accrued interest is repayable, subject to TSX and required shareholder approvals, in common shares based on a 15% discount to market price of common shares at that time. Any outstanding loan balance bears interest at one-year U.S. dollar LIBOR plus 8%. As of September 30, 2009 the Company had 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 September 30, 2009, Zincore had working capital of $5,404,302 compared to $244,592 at June 30, 2009 and $1,308,169 at December 31, 2008. Working capital consists of current assets less current liabilities. The working capital decrease in June resulted principally from lower cash balances as a result of expenditures and investments on exploration, project development, corporate costs and other operating activities. The increase in September was due to the equity financing completed in the third quarter. Exploration activities in the third quarter were focused on community relations and exploration office and camp upkeep.

During the second quarter, 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 had 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 and the application must be renewed for taxes on further exploration expenditures to qualify for re-imbursement.

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 the third quarter of 2009 totaled $197,252. 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 $10,527 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.

			AS AT SEPTEMBER 30, 2009	
Contractual obligations	TOTAL	< 1 YEAR	1-3 YEARS	3-5 YEARS
Operating lease obligations	$ 189,486	$ 126,324	$ 63,162	$ nil

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.

Zincore has no commitments for capital expenditures. 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 entered into a Bridge Loan with Hochschild on June 22, 2009 as discussed above under Financial Condition, Liquidity and Capital Resources.

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 altered to say that the Zincore staff would provide administrative services to Hochschild 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:

	THREE MONTHS ENDED SEPTEMBER 30, 2009	THREE MONTHS ENDED SEPTEMBER 30, 2008	NINE MONTHS ENDED SEPTEMBER 30, 2009	NINE MONTHS ENDED SEPTEBMER 30, 2008
Administrative services agreements	$ 7,000	$ 46,707	$ 86,420	$ 148,699
Remuneration paid to companies controlled by common directors	$ 107,072	$ 28,750	$ 120,922	$ 152,500

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, notes payable 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 unaudited interim 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.

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 at the same time.

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 February 2010, with retroactive application. The Company anticipates that the adoption of EIC – 174 will not result in a material impact on the Company's consolidated financial statements.

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. Of these, 38,100,000 or 36.9% are owned by Hochschild due to its acquisition of Southwestern in May 2009.

As at the date of this MD&A, Zincore has 5,598,000 stock options outstanding and exercisable with a weighted average exercise price of $0.37 per option.

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

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 two priority exploration projects in Peru are the Dolores copper porphyry target on the Accha-Yanque belt and the Minasccasa property. The key activity in the fourth quarter on each project is securing an agreement 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 Yanque, several meetings were held with groups of residents from the four villages that make up the community. Discussions with the regional office of the Ministry of Environment and Mines in Cusco are underway to organize workshops to further educate on mineral exploration and the role of the government in regulating the industry. Further work, with a focus on improving zinc recoveries, is required and alternate process opportunities are being explored. With this objective in mind, the Company plans to collect more ore samples from the different zones within the Yanque deposit during the fourth quarter to use for new metallurgical testing.

At Minasccasa, the community relations team is working with a locally based non-governmental organization to assist with some agriculture improvement projects within the communities. Professionals from the local University of Apurimac have agreed to organize workshops on mining and exploration prior to any formal negotiations with local residents.

At Accha, the exploration camp is being 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. Certain community related works are also ongoing and progress is being made.

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 and its accounting team to manage the transition to IFRS with limited external assistance.

The Company has drafted an IFRS changeover plan covering financial statement preparation, education, IT infrastructure and 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. Zincore is continuing its examination of which functional currencies will be used in each of the jurisdictions in which it operates. The Canadian dollar will be the presentation currency.

A preliminary review of the key IT support systems indicates the current systems are IFRS compliant. Further testing of the systems will be completed during the fourth quarter of 2009.

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 contracts with third parties in Chile and 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 have 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, 2008. 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 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.

There has been no change in the Company's internal control over financial reporting during the nine month period ended September 30, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.