

ZINCORE METALS INC.

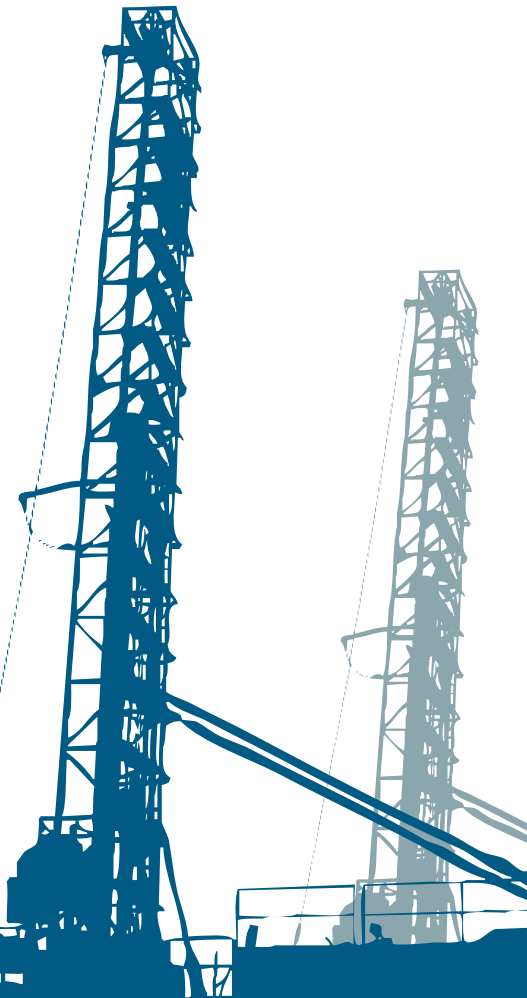


2010 Annual Report | Zincore Metals Inc.



2010 Annual Report

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Letter to Shareholders



Zincore Metals Inc. is very pleased to report that in 2010 we achieved the goals we set for the Company, including:

- ✓ Determining if the higher grades of zinc at the Accha deposit could be selectively mined in the early years of a mine plan to achieve a quick payback and enhanced economics;
 - ✓ Testing a metallurgical process that could achieve good results in the extraction, recovery and refinement of zinc and lead oxide from our more advanced Accha and Yanque deposits, as well as nine other Accha Zinc Oxide District targets, through a single facility;
 - ✓ Listing on the Lima Stock Exchange; and
 - ✓ Initiating the first drill program on the Company's Dolores copper-gold porphyry discovery.
- ✓ We are also proud to report that in 2010, we met these goals with no lost time to workplace injuries and no environmental accidents.

Having achieved our goals in 2010 and with positive market sentiment for zinc and other commodities, short-term price fluctuations notwithstanding, we believe Zincore is poised to achieve another successful year in 2011. In particular, we look forward to delivering a Pre-feasibility report that will confirm the economic and technical viability of the Accha Zinc Oxide District as a mining operation, and reporting to you on our progress at Dolores, our copper-gold porphyry discovery.

2010 What We Achieved

- **Higher Grades** - Confirmed that the higher grades of zinc at the Accha deposit do occur within specific types of rocks and in a continuous and coherent manner. This leads us to believe that we can selectively mine the higher grade ores, which will enhance the economics of a potential mine plan.
- **Deposit Expansion** - Confirmed that we may be able to grow the Accha deposit by intersecting high grade zinc mineralization on the north flank beyond the known deposit area.
- **Positive Metallurgy** - Achieved excellent pilot plant test results in processing zinc and lead oxide ores from both the Accha and Yanque deposits with recoveries in excess of 92% zinc and 99% lead at Accha and in excess of 93% zinc and 98% lead at Yanque. The concentrate produced from both sets of ores contained approximately 73% combined zinc and lead. These results indicate that our district strategy where a single facility could process ores from all locations within the district is sound and we will be able to achieve superior economics versus a plan of processing facilities that are specific to each deposit.
- **Drilling Copper-Gold Porphyry Discovery** - Selected the first drill targets for the Dolores copper porphyry based on results from geochemical sampling, detailed mapping, trenching and geophysical surveys.
- **Positive Community Relations** - Renewed community access agreements for both the Accha and Yanque areas by working very hard to establish and maintain good, responsible working relationships with the people who live in these areas.
- **Successful Financings** - Completed three private placements at successively higher prices for aggregate gross proceeds of approximately \$15.5 million.
- **Listed on Lima Stock Exchange** - Made shares available for purchase on the Lima stock exchange under the symbol ZNC.
- **61% Share Price Appreciation** - Increased market price of the Company's shares to \$0.50 per share as at the end of December 2010 versus \$0.31 at the end of 2009; a gain of 61%.

Gatineau
Zinc Property

Accha Zinc-Oxide District
Zinc-Oxide District Project

Dolores
Copper Porphyry

Minascasa
Zinc-Copper Skarn



2011 What You Can Look Forward to

In 2011, Zincore will:

Advance the Accha Zinc Oxide District deposits from an exploration project to a development project. This will include:

- Completing a Pre-feasibility study by year end to confirm the technical and economic viability of the Accha Zinc Oxide District as a mining operation.

- Completing a 15,000 metre in-fill drill program and re-modelling data for the Yanque deposit, similar to that which has been completed for Accha deposit, to determine if the higher grades of zinc and lead can be selectively mined.

- Completing new 43-101 Technical Reports on both the Accha and Yanque deposits, including new resource estimates and specific information required to develop a mine plan.

- Performing additional exploration drilling on the Accha and Yanque deposits with the goal of increasing the known resources.

- Begin exploring the nine other District targets, which have seen limited work to date, with the goal to add potential new District resources.

- Continuing to refine our pyrometallurgical process to determine the most economic operating parameters.

- Further testing will be conducted to produce a final product of zinc cathode, versus producing a zinc oxide concentrate.

We will also further develop our pipeline of exploration properties.

- Drill test the Dolores copper-gold porphyry project.

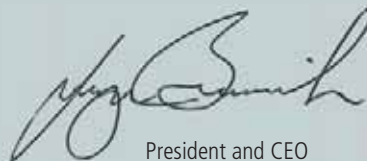
- Drill test the Gatineau zinc project in Québec.

- Continue our progress in securing community access agreements on the Minascassa zinc-copper skarn with the goal of completing geochemical sampling, detailed mapping, trenching and geophysical surveys in order to commence a drill program.

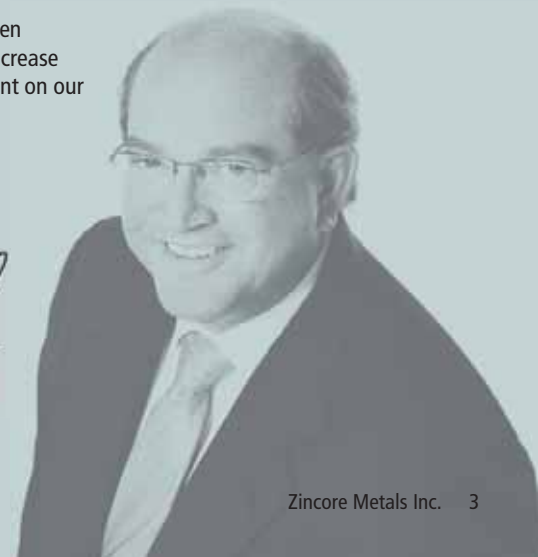


As always, we are grateful for our shareholders' trust and support of the talented men and women of Zincore that are focused in their efforts to grow this Company and increase shareholder value. We met and surpassed great challenges in 2010 and you can count on our unrelenting efforts to better these results once again in 2011.

Thank you shareholders.



President and CEO
Jorge Benavides



**Management's Discussion
and Analysis** ▶



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

For the years ended December 31, 2010 and 2009
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, 2010 should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2010 and the audited financial statements for the year ended December 31, 2009, 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 18, 2011, is also available on SEDAR at www.sedar.com.

This MD&A has taken into account information available up to and including March 18, 2011.

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.

HIGHLIGHTS

The Company successfully completed three private placements for gross proceeds of approximately \$15.5 million in 2010, and coupled with the positive metallurgical test results received during the year, is in a solid position to continue to advance its existing projects, as well as to pursue other opportunities.

At the Accha Zinc Oxide District, the Company is testing a pyrometallurgical process, and re-modelling and optimizing the resources. Laboratory testing of the Waelz kiln process, a reductive roasting technology, returned positive results of 97% and 76% of zinc extraction from Accha and Yanque ores respectively. Given such favourable results, the Company decided to go ahead with pilot plant testing of larger samples from both deposits. A ten tonne representative sample from the Accha deposit was tested, with positive results, under the supervision of Metallicon Process Consulting ("Metallicon") and Hatch, at the Cementos Pacasmayo SA ("CPSA") plant located in Pacasmayo, Peru. For a head grade (ore grade) treated of 10.3% zinc and 1.1% lead, recoveries were in excess of 92% zinc and 99% lead which produced a calcine concentrate with grades greater than 65% zinc and 7% lead. A ten tonne representative sample from the Yanque deposit was also collected and sent to the CPSA plant for testing under the same control conditions as for the Accha sample. At Yanque, for a head grade (ore grade) treated of 10.7% zinc and 1.8% lead, recoveries were in excess of 93% zinc and 98% lead which produced a calcine concentrate with grades greater than 61% zinc and 11% lead. Further work and testing is on-going on material from both deposits in order to improve these already positive results.

A review of the Accha geological model successfully identified high grade sections from the deposit that could potentially be mined during the initial years of production. Based on a study of 300 metres (Sections 186500E to 185800E) of the total 700 metres that comprises the entire known deposit

a new three-dimensional wireframe model was developed. This wireframe model confirms that the higher grade zinc and lead mineralization occurs in a continuous ore body, enhancing the understanding of the deposit.

The Company carried out an in-fill diamond drilling program on Sections 186500E to 186800E. The Company reviewed the data on the remaining 400 metres of the deposit in Sections 186100E to 186400E, and re-logged all historical drill core from the deposit. The revised information was submitted to Micon International ("Micon") for inclusion in an updated geological model.

During 2010, agreements were signed with the main community holding the surface rights to the Accha deposit area, giving the Company access to the lands for a five year period, as well as with the community that is the closest neighbor to the deposit.

An access agreement with the community at Yanque with terms similar to the agreement signed with the community holding the surface rights to the Accha deposit, was signed in July 2010, giving the company access to the area for five years. Micon entered all pre-existing drill data into the new geological model for Yanque and this information was used to develop the on-going phase of definition drilling.

At the Sajapampa project, optioned from Pembroke Mining Corp. ("Pembroke"), a Company related to Zincore by directors in common, a drill program designed to test the better targets began during the fourth quarter of 2010. The results of this work were negative and the Company terminated the option at the end of February 2011.

In Canada, at the Gatineau project, the exploration program consisting of ground geophysical surveys and additional geological mapping of priority AEM targets was completed during September 2010. The first phase drill program began late in the fourth quarter of 2010 and was completed at the end of February 2011.

OUTLOOK

In 2011 the priority exploration projects in Peru will be the Accha Zinc Oxide District and the Dolores copper porphyry target. In Canada a work program is on-going on the Gatineau project in Québec.

The Company plans to complete new technical reports on both the Accha and Yanque deposits by the middle of 2011 with the Accha report expected by the end of the first quarter and the Yanque report by the end of the second quarter, or early third quarter. Definition drilling is underway at the Yanque section of the deposit and the Company expects to complete a pre-feasibility report for the entire District by the end of 2011.

The first stage drill permit for the on-going definition program at Yanque was approved late in 2010 and the application for the second stage permit is currently in the final approval process. The company expects that the new permit will be approved by the middle of March 2011.

On the Dolores property the Company commenced a first phase ten hole drill program in January 2011. The first three drill holes have been completed. Assay results from the first two holes at Dolores were released on March 3, 2011. The results from the second hole indicated consistent, and evenly distributed copper and molybdenum mineralization throughout the length of the hole, including 0.27% copper equivalent over 297 metres.

With regards to the Gatineau project, the Company is currently waiting for a report from Midland Exploration Inc. ("Midland"), who is managing the exploration program. Once the report is received and analyzed, decisions will be made regarding phase two of this project.

The Company continues to investigate other zinc-lead opportunities in Canada, as well as Mexico, in order to geographically diversify its project portfolio.

DESCRIPTION OF BUSINESS

Zincore 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 dependent 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.

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

In late May 2010 the Company announced that its shares had been approved for trading on the Lima Stock Exchange, or Bolsa de Valores de Lima ("BVL"). Kallpa Securities Sociedad Agente de Bolsa acted as Zincore's sponsoring broker in securing the necessary approvals to achieve the listing. Zincore shares became available for trading on the Lima Stock Exchange under the symbol ZNC.

OVERALL PERFORMANCE AND CURRENT ECONOMIC CONDITIONS

The price of zinc ended 2010 at a level similar to where it began the year, which was slightly over U.S.\$1.00/lb.. Zinc related equities recovered from a slump during the first half of the year. Zincore's share price had an especially strong late September, early October surge. Zincore's share price of \$0.50/share at the end of 2010 represented a 61% increase from its close in 2009. This was a reflection of the positive metallurgical studies completed on the Accha Zinc Oxide District, strong in-fill drill results at Accha, and the discovery of a potentially large copper-gold porphyry at Dolores.

Metal price performance remains linked to expectations regarding near term global economic conditions. These expectations are driving the demand outlook for base metals including zinc.

On March 4, 2010, Hochschild Mining plc ("Hochschild") sold its investment in Zincore to Inversiones Pacasmayo SA ("Inversiones Pacasmayo"). At the time of the transaction Inversiones Pacasmayo held 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 oxide ore from the Bongara deposit. Zincore is testing this same pyrometallurgical process with ores from the Accha Zinc Oxide District, discussed in the "Project Review" section below.

During the course of 2010 the Company raised gross proceeds totalling \$15,523,001 in three financing transactions by issuing 2,000,004 flow through common shares, 26,700,000 common shares, and 8,308,572 units (each unit comprising one common share and one half share purchase warrant). Proceeds from these offerings are being used by Zincore for in-fill drilling, metallurgical test work, and pre-feasibility study at the Accha Zinc Oxide District in southern Peru, as well as for ongoing exploration and development programs at its Gatineau zinc property in Québec.

During 2010 the Company entered into three mineral property agreements. In January 2010, the entered into an option agreement with Pembroke to earn 100% interests in Pembroke's Cariboo and Sajapampa zinc-lead properties located in Canada and Peru, respectively. Due to access and permitting issues, all costs relating to the Cariboo property were written off, and due to poor drill results, all costs related to the Sajapampa project were also written off.

In April 2010 the Company optioned a zinc-lead property located in the province of Québec (the "Gatineau Property") from Midland, and in June 2010 the Company entered into an option agreement with a subsidiary of Hochschild to earn a 100% interest in the Gema Properties in southern Peru. The Gema Properties contain several zinc and lead oxide manto outcrops adjacent to the Accha Zinc Oxide District. See further details in the Financial Condition, Liquidity, and Capital Resources section below.

The Company made significant progress on the optimization program on the Accha Zinc Oxide District. This optimization program includes re-modelling previously completed results in the Accha Zinc Oxide District to optimize the geological resource model and mine plan, and testing alternative metallurgical processes. In particular, testing alternative metallurgical processes has generated positive results and in 2011 the Company hopes to complete new technical reports for both the Accha and Yanque deposits as well as a pre-feasibility report on the whole district.

As at December 31, 2010, the Company had working capital totalling \$9,710,989.

SELECTED ANNUAL INFORMATION

	YEAR ENDED DEC 31, 2010	YEAR ENDED DEC 31, 2009	YEAR ENDED DEC 31, 2008
Interest and other income	\$ 38,028	\$ 9,653	\$ 129,202
Net loss	\$ 5,352,683	\$ 2,500,739	\$ 3,714,692
Net loss per share	\$ 0.05	\$ 0.03	\$ 0.05
Total assets	\$ 31,983,806	\$ 21,088,056	\$ 17,217,550
Financial liabilities	\$ 768,204	\$ 239,391	\$ 181,782
Common shares outstanding	141,385,075	103,334,833	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 increased interest and other income resulted from higher cash balances as a result of the equity financings completed during 2010. The higher net loss resulted from a higher operating loss due to increased exploration and corporate activities as well as higher stock based compensation and mineral property cost write-offs. The increase in liabilities largely reflects the increase in exploration and corporate activities during the fourth quarter of 2010.

RESULTS OF OPERATIONS

	YEAR ENDED DECEMBER 31, 2010	YEAR ENDED DECEMBER 31, 2009
Salaries and benefits	\$ 1,660,826	\$ 598,937
General exploration expense	\$ 1,257,133	\$ 692,316
Consulting fees	\$ 710,292	\$ 560,895
Other general and administrative expenses	\$ 930,974	\$ 396,472
Foreign exchange loss	\$ 98,576	\$ 19,313
Depreciation	\$ 6,039	\$ 6,110
Mineral property costs written off	\$ 889,613	\$ 194,852
Mineral properties	\$ 20,805,851	\$ 16,050,110

Total expenses were higher during 2010 relative to 2009 primarily due to the increase in corporate and operational activity. Whereas up until August 2009 the majority of the Company's executive services were provided by part time contractors or through administrative services agreements, the Company now has a full time dedicated employed staff. There were also higher travel costs during 2010 due to the Company's continued efforts to re-introduce itself to the investment community and raise funds after scaling back its activities in 2008 and the beginning of 2009. Stock-based compensation increased during 2010 compared to 2009 and contributed to the higher recorded costs.

Salaries and benefits were significantly higher during 2010 compared to 2009 due to higher staffing levels. As well, Board fees increased significantly in 2010 as the Company felt the fee increases were necessary to recruit and retain the best possible Board given the higher corporate activity. Also the number of Board members has increased. Officers and certain employees also received performance bonuses during the fourth quarter of 2010 in accordance with the Company's bonus policy. Included in salaries and benefits during 2010 is stock-based compensation totalling \$357,075 relating to stock options granted. This is compared to \$240,902 recorded in 2009.

Other general and administrative expenses were higher 2010 compared to 2009 reflecting the higher level of corporate activity. The most significant increases were in travel and shareholder information costs as the Company re-introduced itself to the investment community and continued its focus on raising additional funds to advance its projects. There were also additional legal and accounting expenses due to the Company resuming quarterly audit reviews, which were not performed in 2009. The Company incurred also incurred one time legal costs relating to listing its common shares on the Lima Stock Exchange. In September 2010 the Company moved into new office space and its agreement with Hochschild, discussed in the "Related Party Transactions" below, was terminated, which caused rent expense to increase.

General exploration expense was higher during 2010 when compared to 2009, reflecting higher administrative spending in Peru due to staff increases as a result of increased activity, higher non-property related exploration costs in Peru, Canada and Mexico, and higher stock-based compensation.

As a result of stock options vesting and the amortization of previous grants, during the year ended December 31, 2010 the Company recognized \$773,367 (2009 – \$292,153) as stock-based compensation expense and recorded this amount in contributed surplus. These amounts were recorded as follows:

	YEAR ENDED DECEMBER 31, 2010	YEAR ENDED DECEMBER 31, 2009
Consulting and management fees	\$ 188,315	\$ 9,489
General exploration	227,977	41,762
Salaries and benefits	357,075	240,902
Total	\$ 773,367	\$ 292,153

The value of the stock options granted during the year ended December 31, 2010 and 2009 was determined using the Black-Scholes option pricing model. In 2010, the weighted average grant-date fair value of \$0.37 (2009 - \$0.15) for each option granted was estimated using the following

weighted average assumptions: no dividends are to be paid; volatility of 165% (2009 – 173%); risk free interest rate of 2.2% (2009 – 2.3%); and expected life of 3.5 years (2009 – 3.5 years).

During 2010 the Company incurred a foreign exchange loss of \$98,576 compared to a \$19,313 in 2009. Foreign exchange gains and losses result primarily from the translation of U.S. dollar denominated monetary assets and liabilities into Canadian dollars. The higher loss in 2010 was the result of the Company holding higher U.S. dollar balances to fund its exploration activities combined with the decline of the U.S dollar compared to its Canadian counterpart.

In 2010 the Company wrote off expenditures totaling \$889,613 (2009 - \$194,852) relating to its Cariboo property in Canada and Sajapampa property in Peru. In 2009 the Company wrote off all of its mineral properties in Mexico and Chile.

PROPERTY REVIEW

Accha Zinc Oxide District

Including the recent addition of the Gema Properties, the 100%-owned Accha Zinc Oxide District covers over 50,000 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 District and the Yanque deposit is 30 kilometres to the south. Mineralization has been identified in nine other locations in the District and initial exploration on certain targets has been completed. Given the proximity of these projects and prospects, Zincore management now views the Accha Zinc Oxide District as a single operation. To that end, the Company has re-modelled previously completed results to optimize the resources and is testing an alternative metallurgical process that could be used at a central processing facility for the entire district.

Accha

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 independent consultant Pincock, Allen & Holt (“PAH”) prepared a NI 43-101 mineral resource estimate, which was by 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 a preliminary feasibility study (“2008 PFS”) in 2008 on the Accha deposit. Led by SNC Lavalin Chile, the 2008 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 2008 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 2008 PFS estimated site operating costs at U.S. \$0.28 per pound and pre-production capital costs at approximately U.S. \$65 million. The 2008 PFS mine plan would be 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 2008 PFS, a portion of Accha mineral resources was 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 2008 PFS also identified a number of opportunities to improve the Project, principally related to resource estimate increases by infill drilling of the inferred mineral resources to convert them to indicated mineral resources and exploration drilling where the deposit remains open. Since the end of 2009, the Company has been working on further optimizing this project by investigating other metallurgical procedures to increase recoveries and then having all the ore in the District treated in one central processing facility. Laboratory testing during 2010 of a reductive roasting technology (Waelz Kiln) returned positive results of 97% zinc extraction from Accha ores. The test work was carried out at the Mintek Research Facility in South Africa, under the supervision of Metallicon. Following these positive initial results, the Company decided to go ahead with pilot testing larger samples. A ten tonne representative sample from the Accha deposit was tested, with positive results, under the supervision of Metallicon and Hatch, at the CPSA plant located in Pacasmayo, Peru. For a head grade of 10.3% zinc and 1.1% lead, recoveries were in excess of 92% zinc and 99% lead which produced a calcine concentrate with grades greater than 65% zinc and 7% lead.

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

Metallicon's summary report on the metallurgical test results is available on the Zincore website at www.zincoremotals.com. The test work to date on the Accha ore confirms that a Waelz kiln can process disparate ores from different deposits while delivering high percentage recoveries and grades. More work needs to be done to optimize the process but the findings so far are positive for the economics for the whole Accha Zinc Oxide District.

The re-modeling of resources at Accha was also completed in early 2010 and was based on previous work done for Zincore, which identified a strong correlation between a Coral Reef facies, which is a very porous rock body within the Laminated Limestone Unit, and the highest grades of zinc mineralization. Zincore geologists furthered this work by revisiting the core logs and outcrops at Accha to identify the Reef material and generate cross-sections through the best, near surface mineralization to confirm the original interpretation. Four north/south cross-sections at 186600E, 186650E, 186700E and 186750E were generated and the correlation between Coral Reef and high grade zinc mineralization was clearly visible. This sectional interpretation was then used by Micon to build a three-dimensional wireframe model of a 300 metre long portion of the Accha deposit from sections 186500E to 186800E.

Micon's wireframe model confirmed that the higher grade zinc and lead mineralization occurs in a continuous ore body, enhancing the understanding of the deposit.

As part of their report, Micon confirmed the numbers published in the PAH report. Micon also proposed 5,760 metres of in-fill diamond drilling. Zincore implemented this program and drilling began at Accha in late June 2010. A definition drill program was completed in early November 2010. All historical drill holes were re-logged and a set of re-interpreted sections was sent to Micon in order to better define the high grade portions of the deposit. Some surface work including mapping and trenching was also done to locate the contacts between the high grade and lower grade sections of the deposit. Several trenches on the interpreted northern limb extension of the deposit intersected outcrops of high grade reef mantos over several metres. The Company is confident that these outcrops represent a new zone lying above the main Accha deposit which opens up excellent exploration potential for increasing the overall size of the resources.

Following the completion of the recommended drill program, Micon is constructing a new model of the entire Accha deposit and generating a Mineral Resources Estimate. The results of the new resource estimate is expected to be published late in the first quarter and the accompanying NI 43-101 Technical Report is expected to be generated in the second half of 2011.

During 2010 formal agreements were signed with the main community holding the surface rights to the deposit area and the closest neighbor, giving the Company access to the lands for a five year period.

Yanque

During 2008 Zincore successfully completed the first phase drilling program at Yanque. The program consisted of drilling 45 holes totalling 6,527 metres over a two year period beginning in 2007. The first 21 holes drilled 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.

Results of previous metallurgical work on Yanque samples indicated low recovery of zinc minerals into concentrate due to the presence of a high amount of zinc clays and lower grade zinc minerals that do not respond favorably to dense media separation. The Company investigated alternative metallurgical procedures to increase recoveries and to treat all ores from the Accha Zinc Oxide District in one central processing facility. Laboratory testing of a reductive roasting technology, performed in 2010, returned positive results of 76% zinc extraction. The test work was carried out at the Mintek Research Facility in South Africa, under the supervision of Metallicon. Following these positive initial results, the Company decided to go ahead with pilot testing of larger samples.

A ten tonne representative sample from the Yanque deposit was collected and sent to the CPSA plant for testing under the same control conditions as for the Accha sample discussed above. For a head grade of 10.7% zinc and 1.8% lead, recoveries were in excess of 93% zinc and 98% lead which produced a calcine concentrate with grades greater than 61% zinc and 11% lead. These results were released in September 2010 and a summary report is available on the Company website at www.zincoremotals.com.

Similar to Accha ore, metallurgical test work to date on the Yanque ore confirms that a Waelz kiln can process disparate ores from different deposits while delivering high percentage recoveries and grades. More work will be done to optimize the process.

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

At the end of October 2010, Micon had entered all pre-existing drill data into the new geological model and this information was used to develop the on-going phase of definition drilling. The first stage drill permit for the on-going definition drill program was approved late in 2010 and the application for the second stage permit is currently in the final approval process. The company expects that the new permit will be approved by the middle of March 2011.

Negotiations with the community regarding an access agreement were successfully completed in July 2010. The new agreement is along the lines of the signed agreement with the community holding the surface rights to the Accha deposit and also gives the Company access to the area for a five year period.

Other Accha Zinc Oxide District Prospects

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

The Gema Properties are located adjacent to Zincore's Yanque Project; the main Gema prospect is nine kilometres northwest of Yanque. Gema is hosted in the same oxidized limestones as Yanque, with mineralized gossans that outcrop sporadically. There is no evidence of previous exploration other than small pits by artisanal miners. Several mineralized mantos have been identified in three separate areas of concentration, along strike over a distance of more than one kilometre. The mantos average between one and four metres in width and contain anomalous values of lead, zinc, silver and locally gold. A two metre channel sample collected by Zincore personnel from one of the mantos returned values of 729 parts per billion Au, 189g/t Ag, 8.38%Pb and 1.16%Zn.

Zincore's 2011 Gema exploration program will consist of detailed mapping and trenching to better define the continuity and grades of the mineralized gossans.

Dolores

In 2008 the Company discovered a copper-molybdenum porphyry target east of Yanque called Dolores. A large target area was identified, however sampling and assaying were confined to a road cut that exposed the underlying mineralization and returned encouraging high-grade values.

In 2010 surface mapping, sampling and geophysical work confirmed that the Dolores prospect forms a large porphyry system that is approximately six kilometres in diameter. High grade copper-gold mineralization associated with classic potassic and phyllic alteration within a larger argillic halo exposing characteristic multiple phase porphyritic intrusions, hydrothermal breccias, dense stock-work veining and peripheral skarn mineralization are exposed along a recently improved access road to the community of Yanque.

Mapping by company geologists during the third quarter of 2010 identified other mineralized areas within the Dolores target area and work continues to better define these targets.

VDG del Peru SAC of Lima was contracted to carry out a deep reconnaissance IP survey over 22 square kilometres with 500 metre line-spacing (48 line kilometres). Magnetic and Gamma Spectrometry were also completed within the same target area at 250 metre line spacing (92 line kilometres). The survey was completed late in 2010 and results confirmed the presence of large chargeability and magnetic anomalies that are consistent with porphyry style mineralization. Drilling started in early 2011 following the approval of the first stage drill permit and results from the first two holes were released on March 3, 2011. The results from the second hole indicated consistent and evenly distributed copper and molybdenum mineralization throughout the length of the hole, including 0.27% copper equivalent over 297 metres. The mineralization was encountered just below the surface (at about 18 metres) and extended to 315 metres with no zero grade intervals.

No significant values were intercepted for the first drill hole, which is located almost two kilometres from the second one, which cut what is believed to be a younger, unmineralized intrusive within the Dolores system.

Results of these two holes are the first in a ten hole drill program that is on-going.

Other Exploration Properties

At the 100%-owned Minasccasa 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 the community leaders of one of the principal communities involved in the project have demonstrated a willingness to reach an agreement with the Company. Discussions continue with community leaders on the terms of agreement

In January 2010 the Company entered into an option agreement with Pembroke, a company related to Zincore by way of directors in common, to earn a 100-per-cent interest in Pembroke's Cariboo and Sajapampa zinc-lead properties located in Canada and Peru, respectively.

A program of soil sampling and geological mapping to complete coverage of the Cariboo Property, followed by 2,000 metres of diamond drilling in eight holes, was planned for 2010 but it had to be abandoned due to the failure of provincial authorities to approve the drill permit. The company has terminated this option agreement.

On the Sajapampa Property, the Company carried out a drill program in late 2010 and early 2011 designed to test the best targets located during the exploration program. Results of the drilling were negative and this option agreement was also terminated.

In April 2010 the Company optioned a promising zinc land package from Midland. The Gatineau project is located in the province of Québec and is close to major infrastructure. This project is known to host several significant zinc occurrences and it shares many similarities with the prolific Balmat-Edwards District, located only 60 kilometres to the south. The zinc mineralization occurs either as conformable to relict bedding within certain stratigraphic horizons, or within cross-cutting, ductile shear zones.

In the Gatineau area, there are more than 40 zinc, zinc-iron and iron showings and prospects that are mainly concentrated in the west part of the Grenville meta-sedimentary belt (Gatineau-Maniwaki area). The zinc and zinc-iron occurrences are hosted in dolomitic marbles and found occasionally in association with overlying iron formation that are sulphide-rich, iron oxide-rich and/or carbonate-rich.

Semi-massive to massive sulphide mineralization has been noted on seven different locations within the optioned land package namely, the Bouchette-DesNègres, Leitch-Lafontaine-Parker and Lemieux-Route 107, Blue Sea, and Kilmar horizons. Typically the massive sulphides contain 25% sphalerite, 25% pyrrhotite, 15% pyrite and trace chalcopyrite in a matrix made mainly of diopside and variable amounts of calcite, phlogopite, tremolite, scapolite and rare quartz. The sulphides are homogeneous, granular and vary in size from medium to coarse (5 to 10 mm).

During 2007 and early 2008, Midland conducted a limited combined magnetic and electromagnetic helicopter survey (VTEM) over some of the known mineralized areas within the Gatineau project area. The combined EM and magnetometric survey proved to be very effective to map buried favourable geology unknown until now. Preliminary results indicate that the new survey has detected conductors on several lines with some of them having a good magnetic association.

The exploration program on the Gatineau project started in July 2010 with some ground geophysical surveys and additional geological mapping of priority AEM targets. Two trenches were completed to obtain further geological data in order to orient a future drilling campaign. Channel sampling, on both sites, revealed a zinc rich massive sulphide horizon. On one trench, a total of 35 samples were collected from six channels through the massive sulphide horizon, traceable over an 80 metre strike length. Best results returned 24.1% zinc over 3.0 metres, including 32.5% zinc over 2.0 metres. On the second trench, located to the southwest, a total of 14 samples were collected from three channels through the massive sulphide horizon. Best results returned 21.0% zinc over 2.0 metres. Overall, a total of 12 intervals, each 0.5 metre long, have returned assays over 30% zinc, including one value as high as 43.13% zinc. The first phase drill program began late in the fourth quarter of 2010 and was completed at the end of February 2011. The company is currently waiting for the work report from Midland, who is managing the exploration program on this project.

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, 2010 and 2009.

FISCAL QUARTER ENDED	DEC 31 2010	SEP 30 2010	JUN 30 2010	MAR 31 2010	DEC 31 2009	SEP 30 2009	JUN 30 2009	MAR 31 2009
Interest and other income	\$ 20,958	\$ 7,999	\$ 4,328	\$ 4,743	\$ 4,041	\$ 330	\$ 2,802	\$ 2,480
Net loss	\$ (2,647,442)	\$ (916,108)	\$ (984,803)	\$ (804,330)	\$ (762,017)	\$ (916,951)	\$ (407,210)	\$ (414,561)
Net loss per share	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.01)
Total assets	\$ 31,983,806	\$ 23,759,675	\$ 22,015,515	\$ 21,275,152	\$ 21,088,056	\$ 21,541,181	\$ 16,711,613	\$ 16,765,269
Total liabilities	\$ 768,204	\$ 1,447,647	\$ 1,768,115	\$ 194,234	\$ 239,391	\$ 197,252	\$ 466,302	\$ 132,946

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 since then was a result of resuming activities following the Company's increased liquidity.

During the quarters ending 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 since the fourth quarter of 2009, the Company's overall corporate and exploration expenses have slowly begun to rise again reflecting the increased activity during 2010. 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 fourth quarter of 2010 the Company expensed mineral property costs of \$889,613 relating to the Cariboo and Sajapampa properties and 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, and the four quarters of 2010, the Company recorded \$280,956, \$135,582, \$158,156, \$107,642, and \$371,987 respectively, as stock-based compensation as a result of stock options granted.

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. Interest income varies with changes in 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.

Total assets in the fourth quarter of 2010 and the third quarters of 2010 and 2009, increased primarily as a result of equity financings, and a large increase in liabilities in the second quarter of 2010 resulted primarily from firm one year commitments the Company agreed to pursuant to the Gatineau, Cariboo, and Sajapampa property agreements. There are no longer any firm commitments outstanding as at the end of the fourth quarter of 2010. There has also been increased metallurgical and drilling activity on the Accha Zinc Oxide District which has contributed to the increase asset and current liability levels.

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 March 31, 2010, the Company raised, by way of a non-brokered private placement, gross proceeds totalling \$600,001 by issuing 2,000,004 flow through common shares at \$0.30 per share. A cash commission totalling 6% of gross proceeds was paid to an agent. As well, in March 2010 the Company issued one million common shares to Pembroke pursuant to the Cariboo and Sajapampa property agreement.

Using the Look-Back Rule and in accordance with EIC 146, in January 2011 the Company renounced to investors total proceeds from the issuance of flow-through shares in 2010, and has until December 2011 to spend the entire \$600,001. As at December 31, 2010, the Company had spent \$159,857 of the proceeds and plans to spend the balance in 2011.

In July 2010 the Company closed a non-brokered private placement whereby it raised gross proceeds totalling \$2,908,000 by issuing 8,308,572 units at \$0.35 per unit. Each unit was comprised of one common share and one-half, non-transferable, common share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at \$0.45 per share for up to two years. The warrants were valued at \$506,902 by using the Black-Scholes option pricing model assuming no dividends are to be paid, volatility of 96%; risk free interest rate of 1.45%; and estimated life of 2 years. The value of the warrants was included in share issue costs.

On October 25, 2010, the Company announced a brokered private placement of common shares on a reasonable best efforts basis at a price of \$0.45 per common share with the minimum size of the offering being \$8 million, and the maximum size being \$12 million. On November 9, 2010, the Company announced that the financing had closed and that it had issued 26,700,000 common shares at a price of \$0.45 per share for gross proceeds of \$12,015,000. A cash commission of 6% of the total gross proceeds was paid and 1,602,000 agent warrants were issued. Each warrant entitles the holder to purchase one common share at \$0.48 per share for up to two years from the date of closing. The warrants were valued at \$512,640 by using the Black-Scholes option pricing model assuming no dividends are to be paid, volatility of 100%; risk free interest rate of 1.43%; and estimated life of 2 years. The value of the warrants was included in share issue costs.

As at December 31, 2010, Zincore had working capital of \$9,710,989 compared to \$4,700,371 at December 31, 2009. Working capital consists of current assets less current liabilities. The working capital increase was primarily due to the equity financings completed during 2010, partially offset by the increase in corporate and exploration activities during 2010. Exploration activities included drilling, optimization, and community relations work on the Accha Zinc Oxide District as well as fulfilling firm commitments on the Gatineau and Sajapampa projects. Expenditures on the Accha Zinc Oxide

District during 2010 totalled \$3.4 million while expenditures on other properties totalled approximately \$1.7 million. The expenditures on these other projects related primarily to drilling and geological work on the Sajapampa and Gatineau projects as well as geological and geophysical work on the Dolores project.

During 2010 the Ministry of Energy and Mines in Peru approved the application by Exploraciones Collasuyo SAC ("Collasuyo"), Zincore's wholly indirectly 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. Under this application Collasuyo can apply to the Peruvian tax authorities for monthly rebates of IGV paid on qualifying expenditures. Qualifying expenditures include all site exploration and drilling costs and certain site related engineering and development costs. Under the program, the Company can receive reimbursement of amounts paid or offset taxes payable to the Peruvian Government on the corresponding amount of IGV paid on qualifying goods and services purchased during the course of the exploration and development program. As at December 31, 2010, the Company had recorded a receivable of approximately \$378,825 related to this program.

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 (\$480,815 firm commitment for Cariboo; \$395,000 firm commitment for Sajapampa) 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 (with the exception of that portion that is also subject to an underlying NSR with a third party) 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 a third party, 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 NSR can be bought back for U.S. \$1.0 million. The underlying agreement is being assigned to the Company. In March 2010, the Company issued one million common shares valued at \$340,000 pursuant to this agreement. As at December 31, 2010, the Company had satisfied its firm commitment on Sajapampa property.

As a result of permitting and access issues relating to the property work has not been able to get started on the Cariboo project. As a result, the Company wrote off net expenditures totalling \$191,204 and the remaining firm commitment totalling \$459,611 has been cancelled. Also, relating to the Sajapampa property, drill results have not been encouraging to date and the Company has decided to no longer continue with this projects. Costs totalling \$698,409 were written off in 2010.

In April 2010 the Company optioned a zinc land package in Québec from Midland. Zincore has the option to earn up to a 65% interest in the property by incurring exploration expenditures of \$3,500,000 (\$500,000 firm) and making cash payments of \$180,000 or issuing an equivalent value in common shares. In order to earn the full 65% interest, Zincore must complete a feasibility study no later than eight years after the effective date of the agreement. As at December 31, 2010, the Company has achieved its firm commitment.

In June 2010 the Company entered into an option agreement with a subsidiary of Hochschild to earn a 100% interest in the Gema Properties located near the Company's Achca Zinc Oxide District in southern Peru. The Company can acquire a 100% interest by preparing a scoping study within four years, a pre-feasibility study within six years, and a feasibility study within eight years. As well, the Company must make total investments of \$850,000 in the property within four years. Upon completing the earn-in, the Company will grant Hochschild a 1.5% NSR on the production of base metals. In the event that the Scoping Study determines that precious metals found on the property exceed 65% of the total value of the deposit, Hochschild will have the right to exercise a one-time option to "back in" to the project for a 60% interest (at which point Zincore would vest a 40% interest), by paying Zincore three times the costs of the expenditures incurred to produce the Scoping Study and assuming the obligations to produce a Pre-Feasibility and Feasibility study within the same periods that had applied to Zincore. Should Hochschild decide not to exercise this option, Zincore will vest a 60% interest following completion of the Scoping Study and continue to fulfill the criteria for the 100% interest.

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. As with most junior exploration companies, Zincore is dependent on additional equity or debt capital or proceeds from divestitures to finance its longer term activities.

Zincore does not hold any asset-backed commercial paper and current liabilities as at December 31, 2010 totaled \$768,204. Accounts payable and accrued liabilities relate principally to trade payables.

The Company's material contractual obligations are 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. The Company has also entered into a new office sub-lease commencing in September 2010 and expiring in September 2017. This office is the new head office for the Company in Vancouver. The Company has entered into property option

agreements for Sajapampa, Gema, and Gatineau. Details of these agreements are discussed in the "Project Review" and "Financial Condition, Liquidity and Capital Resources" sections above.

CONTRACTUAL OBLIGATIONS	TOTAL	2011	2012	2013	2014	2015-2017
Operating lease obligations	\$ 1,186,090	\$ 201,006	\$ 169,406	\$ 172,146	\$ 173,516	\$ 470,016
Accounts payable and accrued liabilities	\$ 768,204	\$ 768,204	\$ -	\$ -	\$ -	\$ -

OFF-BALANCE SHEET TRANSACTIONS

The Company does not utilize off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

Zincore had a Services Agreement with Southwestern Resources Corp. ("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 a shareholder, in return for Zincore using Southwestern's existing office space. In addition the Company paid amounts for management services to companies controlled by directors in common. In 2010 the Company entered into a contract with a subsidiary of its significant shareholder, Inversiones Pacasmayo SA, for use of its facility for metallurgical testing. Details of these related party transactions are as follows:

	YEAR ENDED DECEMBER 31, 2010		YEAR ENDED DECEMBER 31, 2009	
Administrative services agreements	\$	-	\$	85,645
Amount paid to a company controlled by an officer, who is also a director, for contracting work	\$	622,786	\$	199,864
Amount paid to significant shareholder for services	\$	333,346	\$	-

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.

FOURTH QUARTER

In November 2010 Company received gross proceeds of \$12,015,000 by issuing 26,700,000 common shares.

Zincore granted 1,467,000 stock options during the fourth quarter of 2010 at a strike price of \$0.57 to its management and employees. This resulted in the recording of stock-based compensation expense totalling \$321,209.

Property costs totally \$889,613 were written off relating to the Cariboo and Sajapampa properties. As well, the Company's remaining \$459,610 firm commitment relating to the Cariboo property was cancelled.

Salaries and benefits and consulting fees were higher during the fourth quarter of 2010 compared to the same period of 2009 due to increased staffing levels due to increased activities and the granting of management and employee bonuses.

Firm commitments relating to the Sajapampa and Gatineau properties were achieved during the fourth quarter of 2010.

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, and accounts payable. The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Prepaids, advances and other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable 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 considerable discretion to reduce or increase exploration plans, the Company has sufficient funds to continue operations 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.

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, as well as for the benefits of losses available to be carried forward to future years for tax purposes. These future taxes are measured by the provisions of substantively enacted tax laws. Future income taxes are recorded in the financial statements if realization is considered more likely than not.

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the

Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized, thereby reducing share capital.

If a company has sufficient unused tax losses and deductions (“losses”) to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, the tax benefits of such losses are recorded as income tax recoveries to the extent that the future income tax liabilities relating to the issuance of flow-through shares are expected to reverse in the loss carry forward period.

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

On January 1, 2010, the Company adopted CICA Handbook Sections 1582 – 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, 2010. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Adoption of these sections as of January 1, 2010, did not 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.

SHARE CAPITAL INFORMATION

As at the date of this MD&A, Zincore has an unlimited number of common shares authorized for issuance, with 141,405,075 common shares issued and outstanding.

As at the date of this MD&A, Zincore has 7,527,000 stock options outstanding with a weighted average exercise price of \$0.39 per option. Of this total, 5,978,994 stock options are exercisable with a weighted average exercise price of \$0.36. The Company also has 4,154,288 warrants outstanding with a price of \$0.45 expiring on July 5, 2012 and 1,602,000 warrants outstanding with a price of \$0.48 expiring on November 9, 2012.

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 and reduce its technical staff, and 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 29.9% 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 Resources & 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 a 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, 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 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

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 changeover plan included financial statement preparation, education, IT infrastructure and the internal control environment. A review of the key IT support systems indicated the current systems are IFRS compliant.

As at December 31, 2010, the Company's IFRS conversion plan was substantially executed. The Company is prepared for the changeover to IFRS in 2011 and its first mandatory filing under IFRS. During 2010 the Company concluded the review of the opening IFRS balance sheet, and the IFRS 1 "First time adoption of IFRS" elections on transition are as follows:

- **Business Combinations:** In choosing to elect this exemption, the Company is not required to apply IFRS 3 Business combinations retroactively to transactions that occurred prior to the date of transition to IFRS.
- **Fair value as deemed cost:** This exemption allows the Company to use a previous GAAP revaluation of a mineral property at, or before, the date of transition to IFRS as deemed cost at the date of the revaluation.
- **Cumulative translation differences:** Allows the Company to deem the cumulative translation difference at the date of transition to IFRS as zero.
- **Share based-payments:** In accordance, with IFRS 2 Share based payments, the Company will recognize a forfeiture rate on its initial recognition of stock option grants. In applying the IFRS 1 election available, the effect of the forfeiture rates will be applied only to unvested options at the date of transition.

In assessing the impact of its conversion to IFRS, the Company identified the following significant difference in its current accounting policies and those that it expects to apply under IFRS:

- **Foreign currency considerations:** The Company has analyzed the functional currency under IAS 21 "The effect of changes to foreign exchange rates." On assessment of primary indicators the Company has changed the functional currency of four of its group companies.

As a result of this change, the IFRS 1 Cumulative translation adjustments will be elected. This will have the effect of reclassifying all previously recorded translation adjustments from other comprehensive income to retained earnings.

There are no differences noted on the Opening Balance sheet as at January 1, 2010 as a result of the conversion to IFRS. However, in preparing the opening balance sheet for the Company as at January 1, 2010, the Company is required to use the standards in effect as at December 31, 2011 which may differ from the policies the Company currently expects to adopt and as a result the opening balance sheet is subject to change.

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

During 2010 the Company ran a parallel IFRS accounting system.

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. 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, 2010. 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, 2010 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.



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zincore Metals Inc.,

We have audited the accompanying consolidated financial statements of Zincore Metals Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of loss, comprehensive loss, deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Zincore Metals Inc. as at December 31, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of \$5.4 million during the year ended December 31, 2010. This condition, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Chartered Accountants

Vancouver, British Columbia
March 18, 2011



CONSOLIDATED BALANCE SHEETS

	AS AT DECEMBER 31, 2010	AS AT DECEMBER 31, 2009
Assets		
Current		
Cash and cash equivalents	\$ 10,302,647	\$ 4,869,057
Prepays, advances and other receivables	176,546	50,019
	<u>10,479,193</u>	<u>4,919,076</u>
Other assets	-	20,997
Exploration advances and other receivables	378,474	16,919
Property, plant, and equipment (note 4)	149,288	80,954
Mineral properties (note 5)	20,805,851	16,050,110
Future Income Tax (note 7)	171,000	-
	<u>\$ 31,983,806</u>	<u>\$ 21,088,056</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 768,204	\$ 218,705
Long term		
Long term obligation	-	20,686
Shareholders' Equity		
Share capital (note 6)	43,926,388	29,993,077
Warrants (note 6)	1,019,542	-
Contributed surplus (note 6)	2,684,815	1,918,048
Deficit	(16,415,143)	(11,062,460)
	<u>31,215,602</u>	<u>20,848,665</u>
	<u>\$ 31,983,806</u>	<u>\$ 21,088,056</u>
Nature and continuance of operations (note 1)		
Commitments (note 12)		

APPROVED BY THE BOARD

JORGE BENAVIDES

W. DAVID BLACK



CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

	YEAR ENDED DECEMBER 31, 2010	YEAR ENDED DECEMBER 31, 2009
Expenses		
Salaries and benefits	\$ 1,660,826	\$ 598,937
General exploration	1,257,133	692,316
Mineral property costs written off (note 5)	889,613	194,852
Consulting fees	710,292	560,895
Office expense	289,030	164,811
Travel	252,045	72,782
Shareholder information	236,667	95,494
Legal and accounting	153,232	63,385
Foreign exchange loss	98,576	19,313
Loss on sale of property, plant, and equipment	8,258	41,497
Depreciation	6,039	6,110
Loss before undernoted item	(5,561,711)	(2,510,392)
Interest and other income	38,028	9,653
Income before taxes	(5,523,683)	(2,500,739)
Future income tax recovery (note 7)	171,000	-
Net loss and comprehensive loss for the year	\$ (5,352,683)	\$ (2,500,739)
Deficit, beginning of year	(11,062,460)	(8,561,721)
Deficit, end of year	\$ (16,415,143)	\$ (11,062,460)
Loss per share - basic and diluted	\$ (0.05)	\$ (0.03)
Weighted average number of shares outstanding	113,612,898	85,218,038



CONSOLIDATED STATEMENTS OF CASHFLOWS

	YEAR ENDED DECEMBER 31, 2010	YEAR ENDED DECEMBER 31, 2009
Operating Activities		
Net loss for the year	\$ (5,352,683)	\$ (2,500,739)
Items not involving cash:		
Mineral property costs written off	889,613	194,852
Loss on sale of property, plant, and equipment	8,258	41,497
Depreciation	6,039	6,110
Future income tax recovery	(171,000)	-
Stock-based compensation (note 6)	773,367	292,153
	(3,846,406)	(1,966,127)
Change in non-cash operating working capital		
(Increase) decrease in prepaids, advances and other receivables	(105,530)	64,368
Increase (decrease) in accounts payable and accrued liabilities	45,010	(3,727)
Cash used in operating activities	(3,906,926)	(1,905,486)
Investing Activities		
(Additions) dispositions of property, plant and equipment	(102,151)	9,979
Mineral property expenditures	(5,146,086)	(484,638)
Cash used in investing activities	(5,248,237)	(474,659)
Financing Activities		
Shares issued (net of share issue costs)	14,606,253	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	14,606,253	6,042,169
Effects of exchange rate change on cash and cash equivalents held in a foreign currency	(17,500)	(48,643)
Increase in cash and cash equivalents during the year	5,433,590	3,613,381
Cash and cash equivalents at beginning of year	4,869,057	1,255,676
Cash and cash equivalents at end of year	\$ 10,302,647	\$ 4,869,057
Non-cash investing and financing item:		
Issued 1,000,000 common shares pursuant to mineral properties agreement	\$ 340,000	\$ -
Other assets reclassified to short-term	\$ 20,997	\$ -
Obligation reclassified to short-term	\$ (20,686)	\$ -
Warrants issued	\$ 1,019,542	\$ -
Interest paid	\$ -	\$ 9,042
Interest received	\$ 38,028	\$ 11,253

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009

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

On January 1, 2010, the Company adopted CICA 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, 2010. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Adoption of these sections as of January 1, 2010, did not have a material impact on the Company's 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 subsequently measured at amortized cost. Available-for-sale instruments are subsequently measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held-for-trading are subsequently 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 AND FLOW-THROUGH SHARES

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, as well as for the benefits of losses available to be carried forward to future years for tax purposes. These future taxes are measured by the provisions of substantively enacted tax laws. Future income taxes are recorded in the financial statements if realization is considered more likely than not.

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized, thereby reducing share capital.

If a company has sufficient unused tax losses and deductions ("losses") to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, the tax benefits of such losses are recorded as income tax recoveries to the extent that the future income tax liabilities relating to the issuance of flow-through shares are expected to reverse in the loss carry forward period.

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 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, 2010		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Office and other equipment	\$ 155,987	\$ 50,219	\$ 105,768
Computer equipment	75,451	32,123	43,328
Leasehold improvements	6,177	5,985	192
	<u>\$ 237,615</u>	<u>\$ 88,327</u>	<u>\$ 149,288</u>

	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
	<u>\$ 167,355</u>	<u>\$ 86,401</u>	<u>\$ 80,954</u>

Depreciation relating to exploration related assets in the amount of \$19,526 (2009- \$17,404) has been allocated to mineral properties during the year.

5/ MINERAL PROPERTIES
A) For the year ended December 31, 2010:

	ACCHA ZINC OXIDE DISTRICT	MINASCCASA	SAJAPAMPA	CARIBOO	GATINEAU	DOLORES	TOTAL
Balance, beginning of year	\$ 15,926,445	\$ 89,581	\$ –	\$ –	\$ –	\$ 34,084	\$ 16,050,110
Property, acquisition and maintenance	145,848	34,732	186,082	170,000	31,415	7,753	575,830
Geophysics	93,814	–	51,168	–	33,185	177,193	355,360
Geology	1,198,432	13,417	218,654	19,882	227,486	370,512	2,048,383
Drilling	1,021,766	–	133,233	–	235,936	38,949	1,429,884
Technical and engineering	502,227	–	–	–	–	–	502,227
Project administration	429,288	107,151	109,272	1,322	15,127	71,510	733,670
Mineral property costs written off	–	–	(698,409)	(191,204)	–	–	(889,613)
Balance, end of year	\$ 19,317,820	\$ 244,881	\$ –	\$ –	\$ 543,149	\$ 700,001	\$ 20,805,851

B) For the year ended December 31, 2009:

	ACCHA ZINC OXIDE DISTRICT	MINASCCASA	OTHER	TOTAL
Balance, beginning of year	\$ 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
Mineral property costs written off	–	–	(194,852)	(194,852)
Balance, end of year	\$ 15,926,445	\$ 89,581	\$ 34,084	\$ 16,050,110

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

In January 2010 the Company announced that it had entered into an option agreement with Pembroke Mining Corp. (“Pembroke”), a company related to Zincore by way of directors in common, 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 (\$480,815 firm commitment for Cariboo; \$395,000 firm commitment for Sajapampa) within the first year and issuing five million Zincore shares to Pembroke over a three-year period. Firm commitment is defined as the Company will be required to spend the amount on exploration or pay the amount to the other party. Pembroke will retain a 2% net smelter return royalty (“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 a third party, 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 NSR can be bought back for U.S. \$1.0 million. The underlying agreement is being assigned to the Company. In March 2010 the Company issued one million common shares valued at \$340,000 to Pembroke pursuant to the Cariboo and Sajapampa property agreement. As a result of access and permitting issues, the Company wrote off net expenditures totalling \$191,204 relating to the Cariboo property and the remaining firm commitment totalling \$459,611 has been cancelled. The Company completed obligations pertaining to the Sajapampa project, but after careful review of the results to date has decided to drop the option.

In April 2010 the Company optioned a zinc land package in Quebec from Midland Exploration Inc. (the “Gatineau Property”). Zincore has the option to earn up to a 65% interest in the property by incurring exploration expenditures of \$3,500,000 (\$500,000 firm commitment) and making cash payments of \$180,000 or issuing an equivalent value in common shares. In order to earn the full 65% interest, Zincore must complete a feasibility study no later than eight years after the effective date of the agreement. As at December 31, 2010 the firm commitment had been met.

In June 2010 the Company entered into an option agreement with a subsidiary of Hochschild Mining plc (“Hochschild”) to earn a 100% interest in the Gema Properties located near the Company’s Accha Zinc Oxide District in southern Peru. The Company can acquire a 100% interest by preparing a

scoping study within four years, a pre-feasibility study within six years, and a feasibility study within eight years. As well, the Company must make total investments of \$850,000 in the property within four years. Upon completing the earn-in, the Company will grant Hochschild a 1.5% NSR on the production of base metals.

In 2009 the Company decided to discontinue further exploration relating to its mineral properties in Mexico and Chile and wrote off expenditures totalling \$194,852.

6/ 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	WARRANTS
AT JANUARY 1, 2009	79,124,833	\$ 23,961,364	\$ 1,636,125	\$ -
Private Placement (net of share issue costs totalling \$13,017)	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	\$ -
Private Placements (net of share issue costs totalling \$1,948,355)	37,008,576	13,574,645	-	1,019,542
Issued for Mineral Properties	1,000,000	340,000	-	-
Stock Options	41,666	18,666	(6,600)	-
Stock-based compensation	-	-	773,367	-
AT DECEMBER 31, 2010	141,385,075	\$ 43,926,388	\$ 2,684,815	\$ 1,019,542

On October 25, 2010, the Company announced a brokered private placement of common shares on a best commercial efforts basis at a price of \$0.45 per common share with the minimum size of the offering being \$8 million, and the maximum size being approximately \$12 million. On November 9, 2010, the Company announced that the financing had closed and that the Company had issued 26,700,000 common shares at a price of \$0.45 per share for gross proceeds of \$12,015,000. A cash commission of 6% of the total gross proceeds was paid and 1,602,000 agent warrants were issued. Each warrant entitles the holder to purchase one common share at \$0.48 per share for up to two years from the date of closing. These warrants were valued at \$512,640 by using a Black-Scholes option pricing model assuming no dividends are to be paid, volatility of 100%; interest free interest rate of 1.43%; and estimated life of 2 years.

In July 2010 the Company closed a non-brokered private placement whereby it raised gross proceeds totalling \$2,908,000 by issuing 8,308,572 units at \$0.35 per unit. Each unit was comprised of one common share and one-half, non-transferable, common share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at \$0.45 per share for up to two years. The value of the warrants of \$506,902 was determined using a Black-Scholes option pricing model assuming no dividends are to be paid, volatility of 96%; risk free interest rate of 1.45%; and estimated life of 2 years.

On March 31, 2010, the Company raised, by way of a non-brokered private placement, gross proceeds totalling \$600,001 by issuing 2,000,004 flow-through common shares at \$0.30 per share. A cash commission totalling 6% of gross proceeds was paid to an agent. As well, in March 2010 the Company issued one million common shares to Pembroke pursuant to the Cariboo and Sajapampa property agreement. Using the Look-Back Rule and in accordance with EIC 146, in January 2011 the Company renounced to investors total proceeds from the issuance of flow-through shares in 2010, and has until December 2011 to spend the entire \$600,001. As at December 31, 2010, the Company had spent \$159,857 of the proceeds and plans to spend the balance in 2011.

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, 2010 there were 7,347,000 stock options outstanding, of which 5,798,995 are exercisable.

	AT DECEMBER 31, 2010		AT DECEMBER 31, 2009	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	4,888,000	\$ 0.34	5,291,992	\$ 0.50
Granted	2,577,000	\$ 0.46	3,225,000	\$ 0.25
Exercised	(41,666)	\$ 0.29	(150,000)	\$ 0.13
Forfeited	(76,334)	\$ 0.36	(3,478,992)	\$ 0.52
Outstanding at end of year	7,347,000	\$ 0.38	4,888,000	\$ 0.34
Exercisable at end of year	5,798,995	\$ 0.36	2,737,995	\$ 0.41

EXERCISE PRICE RANGE	NUMBER OF OPTIONS OUTSTANDING	NUMBER OF OPTIONS EXERCISABLE	WEIGHTED-AVERAGE REMAINING YEARS
\$0.13-\$0.19	150,000	150,000	2.6
\$0.20-\$0.39	4,530,000	3,959,995	3.8
\$0.40-\$0.59	2,172,000	1,194,000	3.5
\$0.60-\$0.78	495,000	495,000	1.2
	7,347,000	5,798,995	3.5

As a result of stock options vesting and the amortization of previous grants, during the year ended December 31, 2010 the Company recognized \$773,367 (2009 – \$292,153) as stock-based compensation expense and recorded this amount in contributed surplus. These amounts were recorded as follows:

	YEAR ENDED DECEMBER 31, 2010	YEAR ENDED DECEMBER 31, 2009
Consulting and management fees	\$ 188,315	\$ 9,489
General exploration	227,977	41,762
Salaries and benefits	357,075	240,902
Total	\$ 773,367	\$ 292,153

The value of the stock options granted during the year ended December 31, 2010 and 2009 was determined using the Black-Scholes option pricing model. In 2010, the weighted average grant-date fair value of \$0.37 (2009 - \$0.15) for each option granted was estimated using the following weighted average assumptions: no dividends are to be paid; volatility of 165% (2009 – 173%); risk free interest rate of 2.2% (2009 – 2.3%); and expected life of 3.5 years (2009 – 3.5 years).

D) WARRANTS

As at December, 2010, the Company had 4,154,286 warrants outstanding with an exercise price of \$0.45 expiring on July 5, 2012, and 1,602,000 warrants outstanding with an exercise price of \$0.48 expiring on November 8, 2012.

7/ INCOME TAXES

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

	DECEMBER 31, 2010	DECEMBER 31, 2009
Canadian statutory income tax rate	28.5%	30%
Recovery of income taxes computed at statutory rate	\$ 1,574,250	\$ 750,222
Non-deductible expenses	(461,986)	(94,412)
Effect of lower tax rates of foreign jurisdictions	(133,038)	8,159
Rate changes and others	128,250	(148,703)
Change to valuation allowance	(737,426)	(515,266)
Income tax recovery	\$ 171,000	\$ –

Recovery of income taxes totalled \$171,000 (2009 - \$nil) during the year ended December 31, 2010. The Company recognized the recovery of a tax benefit arising from current year losses as these losses provide a partial offset to the future income tax liability arising from the expenditure renunciations done in January 2011 relating to the flow – through share arrangement discussed in note 6.

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, 2010	DECEMBER 31, 2009
Operating loss carry forwards	\$ 2,892,281	\$ 2,037,515
Share issue costs	187,716	108,350
Excess of book over tax value of assets	(20,631)	5,075
Less: Valuation allowance	(2,888,366)	(2,150,940)
Net future income tax asset	\$ 171,000	\$ –

Due to the recovery of future income tax discussed above the Company recorded a future income tax asset of \$171,000 (2009 - \$nil).

At December 31, 2010 the Company had loss carry forwards available for tax purposes totalling \$2,113,730 in Canada expiring in 2026 to 2030, \$751,890 in Peru expiring between 2011 and 2015, and \$26,661 in Mexico.

8/ SEGMENTED INFORMATION

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

	AT DECEMBER 31, 2010	AT DECEMBER 31, 2009
Peru	\$ 20,768,786	\$ 16,133,388
Canada	735,827	35,592
Total	\$ 21,504,613	\$ 16,168,980

9/ RELATED PARTY TRANSACTIONS

Zincore had a Services Agreement with Southwestern Resources Corp. ("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 a shareholder, in return for Zincore using Southwestern's existing office space. In addition the Company paid amounts for management

services to companies controlled by directors in common. In 2010 the Company entered into a contract with a subsidiary of its significant shareholder, Inversiones Pacasmayo SA, for use of its facility for metallurgical testing. Details of these related party transactions are as follows:

	YEAR ENDED DECEMBER 31, 2010		YEAR ENDED DECEMBER 31, 2009	
Administrative services agreements	\$	-	\$	85,645
Amount paid to a company controlled by an officer, who is also a director, for contracting work	\$	622,786	\$	199,864
Amount paid to significant shareholder for services	\$	333,346	\$	-

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.

10/ 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.

11/ 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 6, the Company raised net proceeds of \$13.6 million by completing a private placement of common shares. 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 2011.

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 increase the net loss by approximately \$100,000 during 2011 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 \$1.2 million during 2011 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 \$75,900 during 2011.

12/ COMMITMENTS

The Company's material contractual obligations are 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. The Company has also entered into a new office sub-lease commencing in September 2010 and expiring in September 2017. This office is the new head office for the Company in Vancouver. The Company has entered into property option agreements for Sajapampa, Gema, and Gatineau which are discussed in note 5.

	TOTAL	2011	2012	2013	2014	2015-2017
Operating lease obligations	\$ 1,186,090	\$ 201,006	\$ 169,406	\$ 172,146	\$ 173,516	\$ 470,016
Accounts payable and accrued liabilities	\$ 768,204	\$ 768,204	\$ -	\$ -	\$ -	\$ -

Corporate Information

DIRECTORS

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

OFFICERS

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

AUDITORS

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 Computershare's Investor Centre at
www-us.computershare.com/investor/

NOTICE OF ANNUAL MEETING

10:00am (EDT), Monday, May 9, 2011
 One King West, Toronto, Ontario

STOCK EXCHANGE LISTINGS

TSX, BVL: 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.

TSX, BVL: **ZNC**

www.ZincoreMetals.com



ZINCORE METALS INC.

