



ZINCORE METALS INC.

A Zinc Exploration Company

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For the Three and Six Months Ended
June 30, 2010 and 2009

Interim Consolidated Financial Statements



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INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at	JUNE 30, 2010	DECEMBER 31, 2009
Assets		
Current		
Cash and cash equivalents	\$ 2,739,227	\$ 4,869,057
Prepays, advances and other receivables	91,257	50,019
	2,830,484	4,919,076
Other assets	-	20,997
Exploration advances and other receivables	26,710	16,919
Property, plant, and equipment (note 4)	81,271	80,954
Mineral properties (note 5)	19,077,050	16,050,110
	\$ 22,015,515	\$ 21,088,056
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 525,449	\$ 218,705
Mineral property commitments (note 5)	1,242,666	-
	1,768,115	218,705
Long term obligation	-	20,686
Shareholders' Equity		
Share capital (note 6)	30,889,707	29,993,077
Contributed surplus	2,209,286	1,918,048
Deficit	(12,851,593)	(11,062,460)
	20,247,400	20,848,665
	\$ 22,015,515	\$ 21,088,056

Nature and continuance of operations (note 2)

Subsequent Event (note 6b)

See accompanying Notes to the Interim Consolidated Financial Statements

APPROVED BY THE BOARD



JORGE BENAVIDES



W. DAVID BLACK

INTERIM CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT (UNAUDITED)

	THREE MONTHS ENDED JUNE 30, 2010	THREE MONTHS ENDED JUNE 30, 2009	SIX MONTHS ENDED JUNE 30, 2010	SIX MONTHS ENDED JUNE 30, 2009
Expenses				
Salaries and benefits	\$ 318,223	\$ 31,592	\$ 628,541	\$ 71,419
General exploration	231,522	189,079	395,016	313,277
Consulting and management fees	140,964	82,832	269,079	214,264
Travel	62,965	2,957	124,168	4,760
Office expense	82,034	19,948	134,986	72,941
Shareholder information	104,704	14,544	153,692	41,032
Legal and accounting	51,318	38,621	81,774	40,287
Foreign exchange (gain)loss	(4,022)	29,210	8,198	17,081
Depreciation	1,423	1,567	2,750	3,228
Loss on sale of property, plant, and equipment	-	(338)	-	48,764
Loss before undernoted item	(989,131)	(410,012)	(1,798,204)	(827,053)
Interest income	4,328	2,802	9,071	5,282
Net and comprehensive loss for the period	\$ (984,803)	\$ (407,210)	\$ (1,789,133)	\$ (821,771)
Deficit, beginning of period	(11,866,790)	(8,976,282)	(11,062,460)	(8,561,721)
Deficit, end of period	\$ (12,851,593)	\$ (9,383,492)	\$ (12,851,593)	\$ (9,383,492)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted average number of shares outstanding	106,346,009	79,124,833	104,848,739	79,124,833

INTERIM CONSOLIDATED STATEMENTS OF CASHFLOWS (UNAUDITED)

	THREE MONTHS ENDED JUNE 30, 2010	THREE MONTHS ENDED JUNE 30, 2009	SIX MONTHS ENDED JUNE 30, 2010	SIX MONTHS ENDED JUNE 30, 2009
Operating Activities				
Net loss for the period	\$ (984,803)	\$ (407,210)	\$ (1,789,133)	\$ (821,771)
Items not involving cash:				
Loss on sale property, plant, and equipment	-	(338)	-	48,764
Depreciation	1,423	1,567	2,750	3,228
Stock-based compensation (note 6)	158,156	(488)	293,738	10,628
	(825,224)	(406,469)	(1,492,645)	(759,151)
Change in non-cash operating working capital items:				
(Increase) decrease in prepaids, advances and other receivables	(31,330)	27,365	(20,241)	74,132
Increase in accounts payable and accrued liabilities	33,861	28,776	21,674	6,682
Cash used in operating activities	(822,693)	(350,328)	(1,491,212)	(678,337)
Investing Activities				
(Additions to) dispositions of property, plant and equipment	(10,141)	1,688	(10,743)	8,157
Mineral property expenditures	(898,829)	(17,224)	(1,204,819)	(211,564)
Cash used in investing activities	(908,970)	(15,536)	(1,215,562)	(203,407)
Financing Activities				
Shares issued	(9,871)	-	554,130	-
Notes payable	-	289,575	-	289,575
Increase in long term obligation	-	-	-	20,686
Cash provided by financing activities	(9,871)	289,575	554,130	310,261
Effects of exchange rate change on cash and cash equivalents held in a foreign currency	31,853	(23,761)	22,814	(13,555)
Decrease in cash and cash equivalents during the period	(1,709,681)	(100,050)	(2,129,830)	(585,038)
Cash and cash equivalents at beginning of period	4,448,908	770,688	4,869,057	1,255,676
Cash and cash equivalents at end of period	\$ 2,739,227	\$ 670,638	\$ 2,739,227	\$ 670,638
Cash and cash equivalents consist of:				
Cash	\$ 2,681,727	\$ 647,638	\$ 2,681,727	\$ 647,638
Short-term investments	57,500	23,000	57,500	23,000
	\$ 2,739,227	\$ 670,638	\$ 2,739,227	\$ 670,638
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	\$ -	\$ 20,997	\$ -
Obligation reclassified to short-term	\$ (20,686)	\$ -	\$ (20,686)	\$ -

See accompanying Notes to the Interim Consolidated Financial Statements

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2010 and 2009

1/ BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and follow the same accounting policies and methods of application as the most recent annual audited consolidated financial statements dated December 31, 2009 except as disclosed in note 3. These financial statements should be read in conjunction with those annual financial statements and notes thereto. Accordingly, this report does not include all of the information and footnotes required by accounting principles generally accepted in Canada for complete financial statements. In the opinion of management, all adjustments (consisting primarily of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the three and six month period ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

2/ NATURE AND CONTINUANCE OF OPERATIONS

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

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 cash from operations in the future.

3/ 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.

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

4/ PROPERTY, PLANT AND EQUIPMENT

	AS AT JUNE 30, 2010		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Office and other equipment	\$ 86,964	\$ 42,569	\$ 44,395
Computer equipment	53,063	26,522	26,541
Leasehold improvements	6,177	5,214	963
Vehicles	31,891	22,519	9,372
	<u>\$ 178,095</u>	<u>\$ 96,824</u>	<u>\$ 81,271</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 \$7,676 (June 30, 2009- \$9,505) has been allocated to mineral properties during the period.

5/ MINERAL PROPERTIES

A) For the six months ended June 30, 2010:

	ACCHA ZINC OXIDE DISTRICT	MINASCCASA	SAJAPAMPA	CARIBOO	OTHER	TOTAL
Balance, beginning of period	\$ 15,926,445	\$ 89,581	\$ –	\$ –	\$ 34,084	\$ 16,050,110
Property, acquisition and maintenance	145,848	34,732	185,026	170,000	37,753	573,359
Geophysics	–	–	42,010	–	–	42,010
Geology	468,360	2,687	28,938	18,521	1,510	520,016
Drilling	110,049	–	–	–	–	110,049
Technical and engineering	210,876	–	–	–	–	210,876
Project administration	205,058	94,252	27,468	1,186	–	327,964
First year commitment accrual	–	–	281,558	461,108	500,000 ¹	1,242,666
Balance, end of period	<u>\$ 17,066,636</u>	<u>\$ 221,252</u>	<u>\$ 565,000</u>	<u>\$ 650,815</u>	<u>\$ 573,347</u>	<u>\$ 19,077,050</u>

¹First year firm commitment on Gattineau project to be spent by April 2011.

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
Property costs written off	–	–	(194,852)	(194,852)
Balance, end of year	<u>\$ 15,926,445</u>	<u>\$ 89,581</u>	<u>\$ 34,084</u>	<u>\$ 16,050,110</u>

The Company holds a 100% interest in the Accha Zinc Oxide District, Minasccasa, and Other properties except for the Gattineau property discussed below.

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% 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 net smelter return royalty 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.

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.

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% net smelter return royalty on the production of base metals.

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
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 Placement (net of share issue costs totalling \$50,038)	2,000,004	549,963	–
Issued for Mineral Properties	1,000,000	340,000	–
Stock Options	16,666	6,667	(2,500)
Stock-based compensation	–	–	293,738
AT JUNE 30, 2010	106,351,503	\$ 30,889,707	\$ 2,209,286

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.

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.

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, and consultants 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 June 30, 2010 there were 5,718,000 stock options outstanding, of which 3,986,323 were exercisable.

	AT JUNE 30, 2010		AT DECEMBER 31, 2009	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of period	4,888,000	\$ 0.34	5,291,992	\$ 0.50
Granted	910,000	\$ 0.32	3,225,000	\$ 0.25
Exercised	(16,666)	\$ 0.25	(150,000)	\$ 0.13
Forfeited	(63,334)	\$ 0.35	(3,478,992)	\$ 0.52
Outstanding at end of period	5,718,000	\$ 0.33	4,888,000	\$ 0.34
Exercisable at end of period	3,986,323	\$ 0.36	2,737,995	\$ 0.41

As a result of stock options vesting and the amortization of previous grants, during the three months and six months ended June 30, 2010 the Company recognized \$158,156 (June 30, 2009 – \$(488)) and \$293,738 (June 30, 2009 - \$10,628) as stock-based compensation expense and recorded this amount in contributed surplus. These amounts were recorded as follows:

	THREE MONTHS ENDED JUNE 30, 2010	THREE MONTHS ENDED JUNE 30, 2009	SIX MONTHS ENDED JUNE 30, 2010	SIX MONTHS ENDED JUNE 30, 2009
Consulting and management fees	\$ 18,903	\$ (568)	\$ 37,805	\$ 9,204
General exploration	31,980	-	45,983	99
Salaries and benefits	107,273	80	209,950	1,325
Total	\$ 158,156	\$ (488)	\$ 293,738	\$ 10,628

The value of the stock options granted during the three and six months ended June 30, 2010 and 2009 was determined using the Black-Scholes option pricing model. During 2010, the weighted average grant-date fair value of \$0.29 for each option granted was estimated using the following weighted average assumptions: no dividends are to be paid; volatility of 164%; risk free interest rate of 2.7%; and expected life of 3.5 years. There were no new grants issued during the first two quarters of 2009.

7/ 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 JUNE 30, 2010	AT DECEMBER 31, 2009
Peru	\$ 17,990,107	\$ 16,133,388
Canada	1,194,924	35,592
Total	\$ 19,185,031	\$ 16,168,980

8/ 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 remuneration 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:

	THREE MONTHS ENDED JUNE 30, 2010	THREE MONTHS ENDED JUNE 30, 2009	SIX MONTHS ENDED JUNE 30, 2010	SIX MONTHS ENDED JUNE 30, 2009
Administrative services agreements	\$ -	\$ 37,181	\$ -	\$ 79,420
Remuneration paid to a company controlled by a director	\$ 80,326	\$ 5,000	\$ 142,129	\$ 13,850
Amount paid to significant shareholder for services	\$ 96,602	\$ -	\$ 96,602	\$ -

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.

9/ 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.

10/ 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, loans and receivables, and other financial liabilities are equivalent to their carrying values due to their short term nature.

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, Bermuda, 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 gross proceeds of \$9,523,001 since September 2009 by completing three private placements of common shares, one of which was for flow-through 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.

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 \$2,400 during the remaining six months of 2010 with a 10% strengthening having the opposite effect.

A 10% weakening of the Canadian dollar relative to the U.S. dollar would increase budgeted deferred mineral property expenditures by approximately \$366,500 during the remaining six months of 2010 with the opposite effect of a 10% strengthening. A 10% weakening in the Canadian dollar relative to the Peruvian soles 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 \$19,000 during remaining six months of 2010.