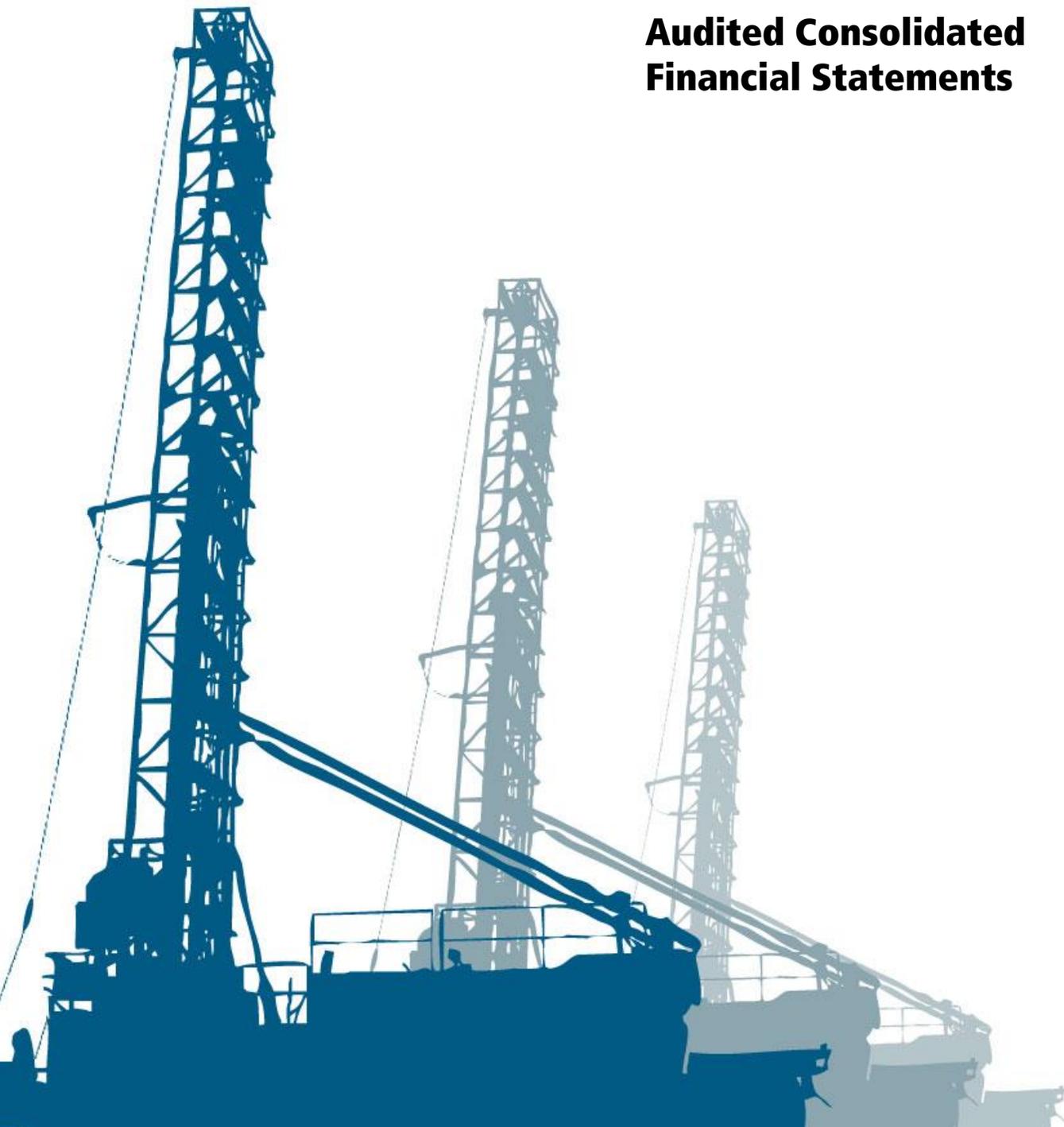


ZINCORE METALS INC.



For the Years Ended
December 31, 2012 and 2011

Audited Consolidated Financial Statements



CONTENTS

INDEPENDENT AUDITOR'S REPORT	3
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION IN CANADIAN DOLLARS	4
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS IN CANADIAN DOLLARS	5
CONSOLIDATED STATEMENTS OF CASH FLOWS IN CANADIAN DOLLARS	6
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY IN CANADIAN DOLLARS	7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	8
1/ NATURE AND CONTINUANCE OF OPERATIONS	8
2/ ACCOUNTING POLICIES	8
3/ MINERAL PROPERTIES	13
4/ SHARE CAPITAL	15
5/ DEFERRED TAXES	17
6/ ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	17
7/ SEGMENTED INFORMATION	17
8/ RELATED PARTY TRANSACTIONS	18
9/ LOSS PER SHARE	18
10/ COMMITMENTS	18
11/ MANAGEMENT OF CAPITAL RISK	18
12/ MANAGEMENT OF FINANCIAL RISK	19
13/ SUBSEQUENT EVENT	20



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 statements of financial position as at December 31, 2012 and December 31, 2011, and the consolidated statements of comprehensive loss, changes in equity 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 International Financial Reporting Standards, 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 in our audits 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, 2012 and December 31, 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred cumulative losses of \$26,751,743 as at December 31, 2012 and a total comprehensive loss of \$4,465,053 during the year ended December 31, 2012. This condition, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

Chartered Accountants

Deloitte LP

Vancouver, Canada
March 22, 2013



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

IN CANADIAN DOLLARS

As at	DECEMBER 31, 2012	DECEMBER 31, 2011
Assets		
Current assets		
Cash and cash equivalents	\$ 2,012,766	\$ 2,018,821
Prepays, exploration advances and other receivables (note 3)	773,482	88,719
	2,786,248	2,107,540
Non-current assets		
Exploration advances and other receivables	–	162,410
Property, plant, and equipment	137,884	164,712
Mineral properties (note 3)	37,948,447	29,795,552
	38,086,331	30,122,674
Total Assets	\$ 40,872,579	\$ 32,230,214
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 1,961,749	\$ 1,067,376
Non-current liabilities		
Long term obligation (note 10)	48,642	–
Option to acquire mineral property (note 3)	3,135,222	–
	3,183,864	–
	5,145,613	1,067,376
Equity		
Share capital (note 4)	54,823,819	47,642,108
Reserves	7,654,890	6,514,587
Deficit	(26,751,743)	(22,993,857)
	35,726,966	31,162,838
Total Equity and Liabilities	\$ 40,872,579	\$ 32,230,214

Nature and continuance of operations (note 1)

Commitments (note 10)

Subsequent event (note 13)

See accompanying Notes to the Consolidated Financial Statements

APPROVED BY THE BOARD ON MARCH 14, 2013

Jorge Benavides

W. David Black



CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

IN CANADIAN DOLLARS

	YEAR ENDED DECEMBER 31, 2012	YEAR ENDED DECEMBER 31, 2011
Expenses		
Salaries and benefits	\$ 1,279,175	\$ 1,795,186
General exploration	868,615	1,978,163
Consulting and management fees	887,874	802,707
Office expense	354,259	492,163
Legal and accounting	178,519	165,751
Shareholder information	155,529	263,858
Travel	89,079	346,924
Depreciation	8,013	7,694
Foreign exchange (gain) loss	(18,604)	19,262
Mineral property cost written off (note 3)	–	693,802
Loss before undernoted items	(3,802,459)	(6,565,510)
Interest and other income	44,573	59,422
Loss before income taxes	(3,757,886)	(6,506,088)
Income tax expense (note 5)	–	(131,000)
Loss for the year	(3,757,886)	(6,637,088)
Other comprehensive (loss) income:		
Foreign currency translation differences in foreign operations	(707,167)	765,734
Total comprehensive loss	\$ (4,465,053)	\$ (5,871,354)
Loss per share - basic and diluted	\$ (0.02)	\$ (0.04)
Weighted average number of common shares outstanding- basic and diluted (note 9)	198,083,186	153,890,061

See accompanying Notes to the Consolidated Financial Statements



CONSOLIDATED STATEMENTS OF CASH FLOWS

IN CANADIAN DOLLARS

	YEAR ENDED DECEMBER 31, 2012	YEAR ENDED DECEMBER 31, 2011
Operating Activities		
Loss before income taxes	\$ (3,757,886)	\$ (6,506,088)
Items not involving cash:		
Share-based compensation (note 4)	372,095	887,769
Mineral property costs written off	–	693,802
Depreciation	8,013	7,694
Interest income	(43,373)	(59,422)
	(3,421,151)	(4,976,245)
Change in non-cash operating working capital items:		
Decrease in prepaids, exploration advances and other receivables	7,237	87,829
(Decrease) increase in accounts payable and accrued liabilities	(19,672)	445,751
Cash used in operating activities	(3,433,586)	(4,442,667)
Investing Activities		
Additions to property, plant and equipment	(11,777)	(54,694)
Mineral property expenditures	(7,737,493)	(9,763,103)
Interest received	43,373	59,422
Cash used in investing activities	(7,705,897)	(9,758,375)
Financing Activities		
Shares and warrants issued on private placements	8,657,086	5,896,173
Proceeds from option to acquire mineral property	2,443,222	–
Proceeds on long-term obligation	48,642	–
Cash provided by financing activities	11,148,950	5,896,173
Effects of exchange rate change on cash and cash equivalents held in a foreign currency	(15,522)	21,240
Decrease in cash and cash equivalents during the year	(6,055)	(8,283,629)
Cash and cash equivalents at beginning of year	2,018,821	10,302,450
Cash and cash equivalents at end of year	\$ 2,012,766	\$ 2,018,821
Cash and cash equivalents consist of:		
Cash	1,955,266	1,961,321
Short-term investments	57,500	57,500
	\$ 2,012,766	\$ 2,018,821

See accompanying Notes to the Consolidated Financial Statements



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

IN CANADIAN DOLLARS

	SHARE CAPITAL		RESERVES			DEFICIT	TOTAL
	NUMBER OF SHARES	AMOUNT	SHARE-BASED PAYMENT RESERVE	WARRANTS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at January 1, 2011	141,385,075	\$ 43,886,388	\$ 2,684,815	\$ 1,019,542	\$ (983,726)	\$ (16,356,769)	\$ 30,250,250
Private Placement (net of share issue costs totalling \$603,267)	22,900,000	3,747,733	–	2,143,440	–	–	5,891,173
Shares issued for cash on exercise of share options	20,000	7,987	(2,987)	–	–	–	5,000
Share-based compensation	–	–	887,769	–	–	–	887,769
Comprehensive loss for year	–	–	–	–	765,734	(6,637,088)	(5,871,354)
Balance at December 31, 2011	164,305,075	\$ 47,642,108	\$ 3,569,597	\$ 3,162,982	\$ (217,992)	\$ (22,993,857)	\$ 31,162,838
Private Placements (net of share issue costs totalling \$570,689)	46,138,874	7,181,711	–	1,475,375	–	–	8,657,086
Share-based compensation	–	–	372,095	–	–	–	372,095
Comprehensive loss for year	–	–	–	–	(707,167)	(3,757,886)	(4,465,053)
Balance at December 31, 2012	210,443,949	\$ 54,823,819	\$ 3,941,692	\$ 4,638,357	\$ (925,159)	\$ (26,751,743)	\$ 35,726,966

See accompanying Notes to the Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011
(all dollar items are in Canadian dollars except as otherwise noted)

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. 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"). In May 2010, the Company's shares were approved for trading on the Lima Stock Exchange, or Bolsa de Valores de Lima ("BVL"). The address of the Company's registered office is Suite 450 - 1040 W. Georgia Street, Vancouver, BC, Canada V6E 4H1.

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.

Although Zincore has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee Zincore's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

These consolidated financial statements have been prepared on a going concern basis. Zincore does not generate cash flows from operations and accordingly, Zincore will need to raise additional funds through future issuance of securities or other financing (note 13). Although Zincore has been successful in raising funds in the past, there can be no assurance Zincore will be able to raise sufficient funds in the future, in which case Zincore may be unable to meet its obligations as they come due in the normal course of business. Zincore has not determined whether any of its properties contain mineral reserves that are economically recoverable. It is not possible to predict whether financing efforts will be successful or if Zincore will attain profitable level of operations. Since inception, Zincore has incurred cumulative losses of \$26,751,743 as at December 31, 2012 and a total comprehensive loss for the year ended December 31, 2012 of \$4,465,053. These factors cast significant doubt regarding Zincore's ability to continue as a going concern. Should Zincore be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statements of financial position.

2/ ACCOUNTING POLICIES

A) BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

The policies applied in these consolidated financial statements are based on IFRSs issued and effective as at December 31, 2012 for periods ending on or before December 31, 2012.

B) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

	JURISDICTION	NATURE OF OPERATIONS
Zincore Metals Inc.	Canada	Holding company
Polymex Resources Ltd.	Canada	Holding company
Nazca Minerals Ltd.	Bermuda	Holding company
Wari Minerals Limited	Bermuda	Holding company
Exploraciones Collasuyo S.A.C	Peru	Exploration company
Exploraciones y Metales del Centro SACV	Mexico	Exploration company
Paracas Minerals Ltd.	Bermuda	Holding company
Exploraciones Antacollo S.A.C.	Peru	Exploration company

Inter-company balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

C) FOREIGN CURRENCIES

The presentation currency of the Company is the Canadian dollar. The functional currency of Zincore Metals Inc. and Polymex Resources Ltd. is the Canadian dollar. The functional currency of Nazca Minerals Ltd., Wari Minerals Limited, Paracas Minerals Ltd., Exploraciones Antacollo S.A.C., and Exploraciones Collasuyo S.A.C. is the United States dollar. The functional currency of Exploraciones Y Metales del Centro SACV is the Mexican Peso. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21").

Assets and liabilities of the Company's subsidiaries are translated into the presentation currency using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve

Transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

D) FINANCIAL INSTRUMENTS

Zincore's financial instruments consist of cash and cash equivalents, exploration advances and other receivables, and accounts payable. The Company has designated its cash and cash equivalents as financial assets at fair value through profit or loss, which are measured at fair value. Exploration 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. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a significant or prolonged decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is reclassified from equity and recognized in the statement of comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

E) CASH AND CASH EQUIVALENTS

Cash equivalents include money market instruments which are readily convertible into cash and have maturities at the date of purchase of less than ninety days.

F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost and are depreciated annually on a declining-balance basis at the following rates:

Office and other equipment	20%
Computer equipment	30%
Vehicles	30%
Leasehold improvements	Straight-line over 4 years

The depreciation method, useful life and residual values are assessed annually.

G) IMPAIRMENT OF NON-FINANCIAL ASSETS UNDER IAS 36

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset's or CGU's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately through the statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized through the statement of comprehensive loss.

H) EXPLORATION AND EVALUATION ASSETS

The Company is in the exploration stage with respect to its investment in mineral properties and follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not limited to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

Exploration and evaluation ("E&E") assets are assessed for impairment only when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount and when the Company has sufficient information to reach a conclusion about technical feasibility and commercial viability.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure on further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised;
- Adverse changes in the taxation and regulatory environment;
- Adverse changes in variations in commodity prices and markets; and
- Variations in the exchange rate for the currency of operation.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

I) INCOME TAXES

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates substantively enacted at year end.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority, and when the Company intends to settle its current tax assets and liabilities on a net basis.

Flow-through shares are a unique Canadian tax incentive and there is no specific guidance under IFRS. Therefore, the Company adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is credited to other liabilities and included in income at the time the qualifying expenditures are made. The recognition of the deferred income tax liability upon renunciation of the flow-through expenditures is recorded as income tax expense in the period of renunciation.

J) SHARE-BASED PAYMENT TRANSACTIONS

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in other comprehensive income and accumulated in the share-based payment reserve. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which

the options vest. The fair value of the options granted is measured using the Black- Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

K) RESTORATION, REHABILITATION, AND ENVIRONMENTAL OBLIGATIONS

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

L) LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is shown on the statement of financial position separated into current and non-current components. Lease payments are apportioned between finance expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

M) LOSS PER SHARE

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

N) SIGNIFICANT ACCOUNTING JUDGMENTS

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (Note 2(o)), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are related to the economic recoverability of the mineral properties, functional currency determination for the Company and its subsidiaries, determination of CGUs and assumption of going concern.

O) SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of prepaids, exploration advances, and receivables which are included in the consolidated statements of financial position;
- the estimated useful lives of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of comprehensive loss;
- the inputs used in accounting for share-based compensation expense in the consolidated statements of comprehensive loss;
- the provision for income taxes which is included in the consolidated statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the consolidated statement of financial position at December 31, 2012; and
- the inputs used in determining the various commitments and contingencies accrued and disclosed in the consolidated statements of financial position.

P) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not effective for the December 31, 2012 reporting period. The Company is currently assessing the potential impact of the adoption of the following standards:

IFRS 9, Financial Instruments: effective for accounting periods commencing on or after January 1, 2015; and

IFRS 10, Consolidated Financial Statements: effective for accounting periods commencing on or after January 1, 2013;

IFRS 11, Joint Arrangements: effective for accounting periods commencing on or after January 1, 2013;

IFRS 12, Disclosure of Interests in Other Entities: effective for accounting periods commencing on or after January 1, 2013;

IFRS 13, Fair Value Measurement: effective for accounting periods commencing on or after January 1, 2013.

IAS 27 (2011), Consolidated and Separate Financial Statements: effective for accounting periods commencing on or after January 1, 2013;

IAS 28 (2011), Investments in Associates and Joint Ventures: effective for accounting periods commencing on or after January 1, 2013;

Amendments to IAS 1, Presentation of Items of Other Comprehensive Income: effective for accounting periods commencing on or after July 1, 2012.

3/ MINERAL PROPERTIES

A) FOR THE YEAR ENDED DECEMBER 31, 2012:

	AZOD	MINASCCASA	DOLORES	TOTAL
Balance, January 1, 2012	\$ 26,466,677	\$ 316,399	\$ 3,012,476	\$ 29,795,552
Property, acquisition and maintenance	202,935	33,580	69,868	306,383
Geophysics	367,028	-	309,631	676,659
Geology	864,725	3,032	513,489	1,381,246
Drilling	732,666	-	1,876,939	2,609,605
Pre Feasibility	2,665,783	-	-	2,665,783
Project administration	764,527	36,863	400,097	1,201,487
Foreign exchange movement	(591,195)	(7,206)	(89,867)	(688,268)
Balance, December 31, 2012	\$ 31,473,146	\$ 382,668	\$ 6,092,633	\$ 37,948,447

B) FOR THE YEAR ENDED DECEMBER 31, 2011:

	AZOD	MINASCCASA	GATINEAU	DOLORES	TOTAL
Balance, January 1, 2011	\$ 18,418,412	\$ 234,451	\$ 543,149	\$ 684,570	\$ 19,880,582
Property, acquisition and maintenance	259,737	33,156	8,039	44,290	345,222
Geophysics	231,610	–	77,945	113,413	422,968
Geology	2,248,707	–	37,266	347,556	2,633,529
Drilling	2,639,323	–	3,877	1,570,422	4,213,622
Pre Feasibility ¹	1,278,156	–	–	–	1,278,156
Research	23,891	–	–	31,278	55,169
Project administration	725,316	41,232	23,526	130,686	920,760
Mineral property costs written off	–	–	(693,802)	–	(693,802)
Foreign exchange movement	641,525	7,560	–	90,261	739,346
Balance, December 31, 2011	\$ 26,466,677	\$ 316,399	\$ –	\$ 3,012,476	\$ 29,795,552

¹Includes cost of a Preliminary Economic Assessment.

As at December 31, 2012, the Company held a 100% interest in the AZOD, Dolores, and Minascasa projects.

On May 8, 2012, the Company entered into a Memorandum of Understanding (“MOU”) to form a strategic partnership with First Quantum Minerals Ltd. (“First Quantum”). Under the terms of the MOU a wholly-owned subsidiary of First Quantum made a strategic investment in the Company discussed in note 4. Subsequent to the MOU, the Company and First Quantum entered into a formal Earn-In Shareholders Agreement (the “Earn-In Agreement”) on August 28, 2012 (the “Formal Agreement Date”). Under the terms of the Earn-In Agreement, First Quantum can earn up to an 80% interest in Polymex Resources Ltd. (“Polymex”) (currently a 100% owned subsidiary of Zincore) which indirectly controls the Dolores copper porphyry project. In order to earn its 80% interest First Quantum must fund the advancement of the project through exploration, and if warranted, development and production. Details of the funding/earn-in structure are as follows:

- First and Second Earn-Ins: First Quantum has committed to spend US \$3.0 million at Dolores by August 28, 2013 to earn an unvested 30% equity interest in Polymex.
 - The 30% interest will vest if First Quantum provides written notice (the “Vesting Notice”) within 60 days of the first anniversary of the Formal Agreement Date that it will commit to spend an additional US \$5.0 million (the “Second Earn-In”) within 18 months of the date of the Vesting Notice (the “Vesting Notice Date”). After the additional US \$5.0 million is spent, First Quantum will have earned a 50.1% interest in Polymex. If First Quantum fails to meet its Second Earn-In commitment it will have to forfeit its 30% interest in Polymex.
 - Zincore will be the operator until First Quantum has fulfilled the requirements of the Second Earn-In with oversight from First Quantum by way of a technical committee.
- Third Earn-In: First Quantum can earn an additional 9.9% in Polymex by producing a NI-43-101 compliant Indicated resource estimate (and associated technical report) of more than one million tonnes of contained copper at a 0.20% cut-off grade within three years following the Vesting Notice Date.
- Fourth Earn-In: First Quantum will have the option to earn an additional 10% of Polymex by providing within four years of the Vesting Notice Date studies in sufficient detail that under industry customs and norms a fully informed construction decision can be made.
- Fifth earn-In: First Quantum can acquire an additional 10% interest in Polymex provided that commercial production at Dolores commences within 96 months of the Formal Agreement Date. First Quantum will be responsible for funding all costs associated with construction of a mine and bringing the Dolores Area to commercial production including Zincore’s share of capital expenditures for construction. Zincore will repay its portion of the construction cost from 70% of its portion of the available cash flow from the project.

At the end of the completion of the fifth earn-in the Company will have a 20% interest in Polymex which it can elect to convert to a 3% Net Smelter Return Royalty.

The Company paid \$250,220 in financial advisory fees related to this agreement and expensed this amount under consulting and management fees.

As of December 31, 2012, First Quantum had contributed US \$2,497,781 (\$2,443,222 in Canadian dollars) in cash towards their earn in commitment. As well, First Quantum had committed to fund December 2012 expenditures of approximately \$692,000 which the Company has recorded as a receivable in the consolidated statements of financial position as at December 21, 2012. The receivable has been collected in 2013 as part of First Quantum's cash contributions in 2013 described below. As at December 31, 2012, the cash contributions and December 2012 commitment by First Quantum totalled \$3,135,222 and the Company has recorded this amount as a liability in the consolidated statements of financial position.

To date during 2013, First Quantum has contributed an additional US \$1,927,033 toward their earn in commitment making its total cash contribution US \$4,424,814. As well, First Quantum has incurred exploration expenditures totalling US \$84,601 to make their total earn in contribution to the project to date total \$4,509,415. First Quantum has now fulfilled its first earn in expenditure commitment relating to the Dolores property.

In April 2010 the Company optioned a zinc land package in Quebec from Midland Exploration Inc. (the "Gatineau Property"). Zincore had 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. During 2011 the Company decided to abandon this option and wrote off exploration expenditures totalling \$693,802.

4/ 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 RESERVES WERE AS FOLLOWS:

On May 10, 2012, under the terms of the MOU disclosed in note 3, First Quantum purchased, by way of a private placement, 19,113,874 common shares of the Company at a price \$0.20 per share for gross proceeds totalling \$3,822,775. Zincore will conduct a regional exploration program on its concessions using a minimum of 60% of these private placement funds, including a minimum of US\$1.0 million in the 12 months following closing of the private placement. The Company paid fees totalling \$192,175 in connection to this private placement. As of December 31, 2012, the Company has spent \$1,326,307 on the regional exploration program.

On March 16, 2012, the Company raised, by way of a non-brokered private placement, gross proceeds totalling \$5,405,000 by issuing 27,025,000 units at \$0.20 per unit. Each unit consisted of one common share and one-half common share purchase warrant. Each whole share purchase warrant will entitle the holder to purchase one common share at \$0.30 for up to 2 years. These warrants were valued at \$1,475,375 by using the Black-Scholes options pricing model assuming no dividends are to be paid, volatility of 89%; risk free interest rate of 1.12%; and an estimated life of 2 years. The Company paid fees totalling \$378,514 in connection to this private placement.

On June 15, 2011 the Company completed a private placement by issuing 22,900,000 units at a price of \$0.28 per unit for gross proceeds of \$6,412,000. Each unit was comprised of one common share and one-half common share purchase warrant. The warrants are non-transferable and each whole warrant will entitle the holder to purchase one common share at a price of \$0.40 until June 15, 2014. These warrants were valued at \$2,061,000 by using the Black-Scholes option pricing model assuming no dividends are to be paid, volatility of 95%; risk free interest rate of 1.57%; and an estimated life of 3 years. A cash commission of 6% of the gross proceeds was paid and 687,000 agent warrants were issued. Each agent warrant entitles the holder to purchase one common share at \$0.41 per share until December 15, 2012. These warrants were valued at \$82,440 by using the Black-Scholes option pricing model assuming no dividends are to be paid, volatility of 95%; risk free interest rate of 1.57%; and an estimated life of 1.5 years.

C) SHARE PURCHASE OPTION COMPENSATION PLAN

The Company has a share purchase 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, 2012 there were 11,605,000 share options outstanding, of which 9,601,664 were exercisable.

	AT DECEMBER 31, 2012		AT DECEMBER 31, 2011	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	9,833,663	\$ 0.34	7,347,000	\$ 0.38
Granted	3,005,000	\$ 0.13	3,995,000	\$ 0.36
Exercised	–	\$ –	(20,000)	\$ 0.25
Forfeited	(1,233,663)	\$ 0.54	(1,488,337)	\$ 0.47
Outstanding at end of year	11,605,000	\$ 0.28	9,833,663	\$ 0.36
Exercisable at end of year	9,601,664	\$ 0.31	7,706,992	\$ 0.36

EXERCISE PRICE RANGE	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING YEARS	NUMBER OF OPTIONS EXERCISABLE
\$0.13-\$0.19	3,155,000	\$0.13	4.6	1,151,664
\$0.20-\$0.39	7,060,000	\$0.28	2.6	7,060,000
\$0.40-\$0.59	1,055,000	\$0.57	2.9	1,055,000
\$0.60-\$0.78	335,000	\$0.61	3.2	335,000
	11,605,000	\$0.28	3.2	9,601,664

As a result of share options granted and vesting as well as the amortization of previous grants, during year ended December 31, 2012 the Company recognized \$372,095 (2011 – \$887,769) as share-based compensation expense and recorded this amount in share based payment reserve. These amounts were recorded as follows:

	YEAR ENDED DECEMBER 31, 2012	YEAR ENDED DECEMBER 31, 2011
Consulting and management fees	\$ 25,916	\$ 134,833
General exploration	\$ 72,653	\$ 365,230
Salaries and benefits	\$ 273,526	\$ 387,706
Total	\$ 372,095	\$ 887,769

The value of the share options granted during the years ended December 31, 2012 and 2011 was determined using the Black-Scholes option pricing model. During the year ended December 31, 2012 the weighted average grant-date fair value of \$0.09 (2011- \$0.22) for each option granted was estimated using the following weighted average assumptions: no dividends are to be paid; volatility of 96% (2011 - 97%); risk free interest rate of 1.3% (2011 – 1.6%); expected life of 3.5 years (2011– 3.5 years); and forfeiture rate of nil (2011 – nil). Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the share purchase options.

D) WARRANTS

As at December 31, 2012 the Company had the following warrants outstanding:

AMOUNT	EXERCISE PRICE	EXPIRY DATE
11,450,000	\$ 0.40	JUNE 15, 2014
13,512,500	\$ 0.30	MARCH 16, 2014
24,962,500		

As at December 31, 2011 the Company had the following warrants outstanding:

AMOUNT	EXERCISE PRICE	EXPIRY DATE
4,154,286	\$ 0.45	JULY 5, 2012
1,602,000	\$ 0.48	NOVEMBER 8, 2012
11,450,000	\$ 0.40	JUNE 15, 2014
687,000	\$ 0.41	DECEMBER 15, 2012
17,893,286		

The warrants reserve represents the cumulative fair value of warrants issued recognized in other comprehensive income.

5/ DEFERRED 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, 2012	DECEMBER 31, 2011
Canadian statutory income tax rate	26.5%	26.5%
Recovery of income taxes computed at statutory rate	\$ 939,472	\$ 1,724,113
Non-deductible expenses	(245,896)	(732,547)
Effect of higher (lower) tax rates of foreign jurisdictions	33,281	(52,060)
Rate changes and others	801,179	(216,853)
Change to valuation allowance	(1,528,036)	(853,653)
Income tax expense	\$ —	\$ (131,000)

Tax deductions related to funds raised in 2010 from an issue of flow through shares were renounced in 2011 and resulted in a deferred tax expense of \$131,000 being recorded.

There are \$5.3 million (2011 - \$3.7 million) of deferred tax assets not recognized at December 31, 2012. At December 31, 2012 the Company had loss carry forwards available for tax purposes totalling \$13.7 million in Canada expiring in 2026 to 2032 and \$5.1 million in Peru expiring between 2013 and 2017.

6/ ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include \$634,533 (2011- \$656,625) in deferred compensation earned in 2012. This amount is only payable upon completion of a successful financing by the Company. As well, the Company has the discretion to pay \$248,550 of this deferred compensation in common share of the Company, rather than cash. The remaining amount is primarily related to trade payables.

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 DECEMBER 31, 2012	AT DECEMBER 31, 2011
Peru	\$ 38,059,171	\$ 30,094,955
Canada	27,160	27,719
Total	\$ 38,086,331	\$ 30,122,674

8/ RELATED PARTY TRANSACTIONS

A) The Company paid remuneration for management services to a company, controlled by Zincore's Chief Executive Officer. Fees are paid based on a daily rate pursuant to a consulting contract, approved by the Company's Board of Directors. The amount also includes any bonuses which also have been approved by Zincore's Board of Directors. Details of these related party transactions are as follows:

	YEAR ENDED DECEMBER 31, 2012	YEAR ENDED DECEMBER 31, 2011
Remuneration paid to a company controlled by a director for contracting services	\$ 396,214	\$ 561,878

B) Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2012 and 2011 is as follows:

	YEAR ENDED DECEMBER 31, 2012	YEAR ENDED DECEMBER 31, 2011
Short term benefits ¹	\$ 1,296,782	\$ 1,909,786
Share-based payments ²	282,924	506,865
Total	\$ 1,579,706	\$ 2,416,651

¹ Short term benefits include consulting and management fees disclosed in Note 8(a).

² Share-based payments are the fair value of options that have been granted to directors and key management personnel

9/ LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2012 was based on the loss attributable to common shareholders of \$3,757,886 (2011 - \$6,637,088). The weighted average number of common shares outstanding for the year ended December 31, 2012 was 198,083,186 (2011 - 153,890,061).

Diluted loss per share did not include the effect of 36,567,500 share options and warrants as they are anti-dilutive.

10/ COMMITMENTS

The Company's material contractual obligations are for an office sub-lease entered into in September 2010 and expiring in September 2017.

	TOTAL	2013	2014	2015	2016	2017
Operating lease obligations	\$ 815,678	\$ 172,146	\$ 173,516	\$ 176,256	\$ 176,256	\$ 117,504

In March 2012 the Company signed an agreement to sublease its current office space until September 2017 which will enable it to fully offset the remaining commitment relating to its operating lease obligations. The agreement became effective on April 15, 2012. Pursuant to that agreement the Company collected a three month damage deposit totalling \$48,642 and recorded it as a long-term obligation.

11/ MANAGEMENT OF CAPITAL RISK

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

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

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

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

12/ MANAGEMENT OF FINANCIAL RISK

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

A) FAIR VALUE ESTIMATION

The following table summarizes the Company's financial instruments:

CLASSIFICATIONS	DECEMBER 31, 2012		DECEMBER 31, 2011		
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	
FINANCIAL ASSETS					
Fair value through profit or loss					
Cash and cash equivalents	\$ 2,012,766	\$ 2,012,766	\$ 2,018,821	\$ 2,018,821	Level 1

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value as described as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair values of the Company's cash and cash equivalents, prepaids, exploration advances and other receivables and accounts payable approximate their carrying values due to their short term nature. The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk with respect to currency risk and interest risk.

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. As at December 31, 2012, the Company's only significant receivable was from First Quantum for \$692,000 which was received subsequent to year end.

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 4, since June 2011 the Company has raised gross proceeds of approximately \$15.6 million by completing three private placements of common shares. However, as a result of current market conditions, it has become increasingly difficult for exploration stage base metal companies to raise capital. The Company will need to raise funds and depending on the results of that financing effort a budget for cash expenditures for 2013 will be decided upon. As at December 31, 2012, cash resources totalled \$2,012,766. The Company is currently evaluating alternatives in order 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 \$51,300 with a 10% strengthening having the opposite effect.

Assuming the Company's financing efforts are successful in 2013, a 10% weakening of the Canadian dollar relative to the U.S. dollar would increase budgeted deferred mineral property expenditures by approximately \$334,000 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 1% decrease in short term rates would decrease interest income and increase net loss of the Company by approximately \$20,000.

13/ SUBSEQUENT EVENT

On March 22, 2013, the Company entered into a loan agreement with First Quantum (the "Lender") to provide the Company with US \$2 million for working capital purposes. The term of the agreement is for one year, or as extended by mutual agreement between both parties and the interest rate is LIBOR plus 5%. The repayment options are as follows: Unless Zincore chooses to repay the loan in cash prior to maturity, First Quantum will choose at or before maturity, one of the following three conversion options to receive repayment:

- Credit all or a portion of the loan amount towards the Lender's obligations to incur project expenditures for the Dolores joint venture as per the terms announced by Zincore on July 13, 2012
- Credit all or a portion of the loan amount towards the Lender's obligations to earn into any new copper target selected from the Company's recent copper reconnaissance as announced by Zincore on January 23, 2013
- Convert all or a portion of the loan amount into Zincore shares, subject to the prior approval of Zincore shareholders if the conversion would result in First quantum holding 20% or more of Zincore's outstanding shares. Any conversion of the loan amount into Zincore shares would be at the greater of the volume weighted average trading price of the Company's shares on TSX for the five days prior to the date of conversion, or \$0.08/share

This loan is subject to, and conditional upon, receipt of TSX approval.