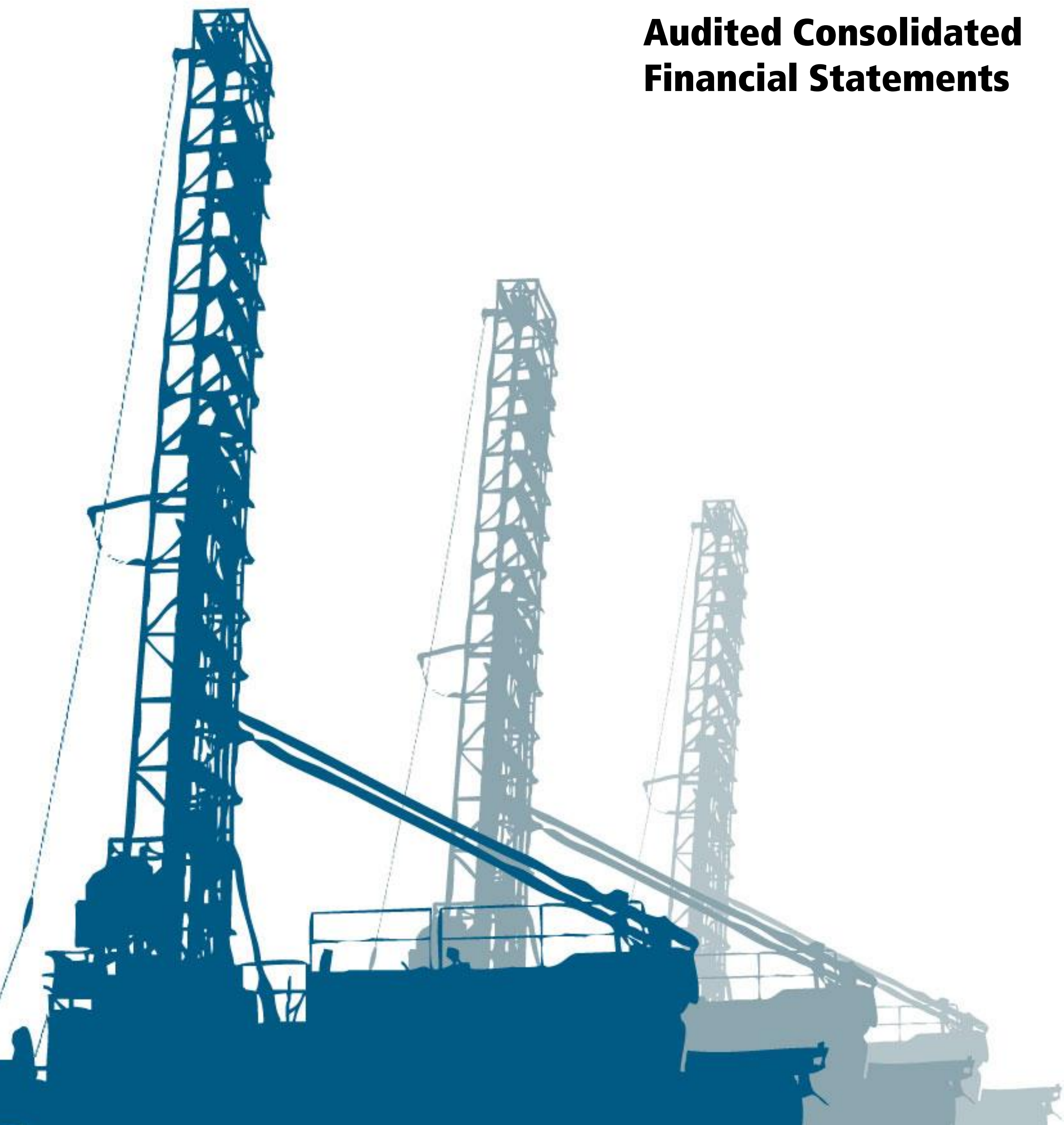
ZINCORE METALS INC.

For the Years Ended
December 31, 2013 and 2012

Audited Consolidated Financial Statements



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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 statements of financial position as at December 31, 2013 and December 31, 2012, and the consolidated statements of comprehensive income (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, 2013 and December 31, 2012, 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 $29,412,365 as at December 31, 2013. 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.

Deloitte LLP

Chartered Accountants
Vancouver, Canada
March 18, 2014

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

IN CANADIAN DOLLARS

As at	DECEMBER 31, 2013	DECEMBER 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 592,751	$ 2,012,766
Prepaids, advances and other receivables	68,776	773,482
	661,527	2,786,248
Non-current assets		
Property, plant, and equipment	132,277	137,884
Mineral properties (note 3)	46,014,691	37,948,447
	46,146,968	38,086,331
Total Assets	$ 46,808,495	$ 40,872,579
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	$ 1,255,319	$ 1,961,749
Convertible loan (note 7)	2,218,345	–
	3,473,664	1,961,749
Non-current liabilities		
Long term obligation (note 11)	48,642	48,642
Share purchase warrants (note 4d)	62,500	–
Option to acquire mineral property (note 3)	3,401,300	3,135,222
	3,512,442	3,183,864
	6,986,106	5,145,613
Equity		
Share capital (note 4)	55,502,227	54,823,819
Reserves	10,789,648	7,654,890
Deficit	(29,412,365)	(26,751,743)
	36,879,510	35,726,966
Non-controlling interest (note 3)	2,942,879	–
	39,822,389	–
Total Equity and Liabilities	$ 46,808,495	$ 40,872,579

Nature and continuance of operations (note 1)
Commitments (note 11)
See accompanying Notes to the Consolidated Financial Statements

APPROVED BY THE BOARD ON MARCH 13, 2014

Jorge Benavides **W. David Black**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

IN CANADIAN DOLLARS

	YEAR ENDED DECEMBER 31, 2013	YEAR ENDED DECEMBER 31, 2012
Expenses		
General exploration	$ 675,789	$ 868,615
Salaries and benefits	656,084	1,279,175
Consulting and management fees	586,533	887,874
Shareholder information	223,535	155,529
Office expense	127,565	354,259
Legal and accounting	167,712	178,519
Travel	165,856	89,079
Interest expense (note 7)	89,859	-
Foreign exchange loss (gain)	69,329	(18,604)
Depreciation	6,356	8,013
Loss before undernoted items	(2,768,618)	(3,802,459)
Interest and other income	13,135	44,573
Gain on revaluation of warrants (note 4)	94,861	–
Loss for the year	(2,660,622)	(3,757,886)
Other comprehensive income (loss) that may by reclassified subsequently to net earnings: Foreign currency translation differences in foreign operations	2,828,448	(707,167)
Total comprehensive income (loss)	$ 167,826	$ (4,465,053)
Loss per share - basic and diluted	$ (0.07)	$ (0.12)
Weighted average number of common shares outstanding-basic and diluted (note 10)	35,851,496	33,013,864

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

IN CANADIAN DOLLARS

	YEAR ENDED DECEMBER 31, 2013	YEAR ENDED DECEMBER 31, 2012
Operating Activities		
Loss before income taxes	$ (2,660,622)	$ (3,757,886)
Items not involving cash:		
Share-based compensation (note 4)	383,522	372,095
Accrued interest on convertible loan (note 7)	89,859	–
Foreign exchange on convertible loan (note 7)	87,285	–
Revaluation of warrants (note 4)	(94,861)	–
Depreciation	6,356	8,013
Interest income	(3,671)	(43,373)
	(2,192,132)	(3,421,151)
Change in non-cash operating working capital items:		
Decrease in prepaids, exploration advances and other receivables	12,706	7,237
Decrease in accounts payable and accrued liabilities	(17,302)	(19,672)
Cash used in operating activities	(2,196,728)	(3,433,586)
Investing Activities		
Additions to property, plant and equipment	(20,219)	(11,777)
Mineral property expenditures	(5,958,843)	(7,737,493)
Interest received	3,671	43,373
Cash used in investing activities	(5,975,391)	(7,705,897)
Financing Activities		
Shares and warrants issued on private placements	758,557	8,657,086
Proceeds from option to acquire mineral property	3,900,958	2,443,222
Proceeds from issuance of convertible loan	2,041,200	–
Proceeds on long-term obligation	–	48,642
Cash provided by financing activities	6,700,715	11,148,950
Effects of exchange rate change on cash and cash equivalents held in a foreign currency	51,389	(15,522)
Decrease in cash and cash equivalents during the year	(1,420,015)	(6,055)
Cash and cash equivalents at beginning of year	2,012,766	2,018,821
Cash and cash equivalents at end of year	$ 592,751	$ 2,012,766
Cash and cash equivalents consist of:		
Cash	535,251	1,955,266
Short-term investments	57,500	57,500
	$ 592,751	$ 2,012,766

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

IN CANADIAN DOLLARS

	SHARE CAPITAL		RESERVES				
	NUMBER OF SHARES	AMOUNT	SHARE-BASED PAYMENT RESERVE	WARRANTS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	DEFICIT	TOTAL
Balance at January 1, 2012	27,384,179	$ 47,642,108	$ 3,569,597	$ 3,162,982	$ (217,992)	$ (22,993,857)	$ 31,162,838
Total comprehensive loss							
Net loss	–	–	–	–	–	(3,757,886)	(3.757,886)
Other comprehensive loss	–	–	–	–	(707,167)	–	(707.167)
	–	–	–	–	(707,167)	(3,757,886)	(4,465,053)
Private Placements (net of share issue costs totalling $570,689)	7,689,813	7,181,711	–	1,475,375	–	–	8,657,086
Share-based compensation	–	–	372,095	–	–	–	372,095
Balance at December 31, 2012	35,073,992	$ 54,823,819	$ 3,941,692	$ 4,638,357	$ (925,159)	$ (26,751,743)	$ 35,726,966
Total comprehensive income							
Net loss	–	–	–	–	–	(2,660,622)	(2,660,622)
Other comprehensive gain	–	–	–	–	2,828,448	–	2,828,448
	–	–	–	–	2,828,448	(2,660,622)	167,826
Private Placement (net of cash share issue costs of $12,818)	2,777,775	601,196[1]	–	–	–	–	601,196
Share-based compensation	422,472	77,212	306,310	–	–	–	383,522
Balance at December 31, 2013	38,274,239	$ 55,502,227	$ 4,248,002	$ 4,638,357	$ 1,903,289	$ (29,412,365)	$ 36,879,510

[1]Includes value of warrants totalling $157,361 which were recorded in share issue costs and with a corresponding entry to non-current liabilities in the Consolidated Statements of Financial Position

See accompanying Notes to the Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012
(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.

Although the Company has determined that some of its mineral properties contain mineral reserves that are economically recoverable, the recoverability of amounts shown for those mineral reserves is dependent upon obtaining necessary financing to complete the development of such mineral reserves and attaining profitable production or proceeds from disposition. As well, the Company has not yet determined whether its other mineral properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for those 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. 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 $29,412,365 as at December 31, 2013, and as of the same date, has negative working capital totalling $2,812,137. 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, 2013 for years ending on or before December 31, 2013.

On August 26, 2013, the Company completed a six-for-one consolidation of the Company's common shares. All comparative period information for common shares, stock options, and warrants has been adjusted to reflect this consolidation.

B) BASIS OF CONSOLIDATION

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

	JURISDICTION	NATURE OF OPERATIONS	COMPANY OWNERSHIP %
Zincore Metals Inc.	Canada	Holding company	100%
Polymex Resources Ltd.	Canada	Holding company	70%
Nazca Minerals Ltd.	Bermuda	Holding company	100%
Wari Minerals Limited	Bermuda	Holding company	100%
Exploraciones Collasuyo S.A.C	Peru	Exploration company	100%
Exploraciones y Metales del Centro SACV	Mexico	Exploration company	100%
Paracas Minerals Ltd.	Bermuda	Holding company	100%
Exploraciones Antacollo S.A.C.	Peru	Exploration company	100%

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 (loss) 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, advances and other receivables, convertible loan, share purchase warrants, 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. 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. Convertible loan and share purchase warrants are classified as financial liabilities at fair value through profit or loss, which are measured at fair value. 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 income (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 income (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 income (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 income (loss).

Other financial liabilities – This category includes accounts payable and convertible loan which are carried at amortized cost.

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

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 tested for impairment and then reclassified to mining property and development assets within mineral properties.

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 tax assets against tax liabilities, when they relate to income taxes levied by the same taxation authority, and when the Company intends to settle its 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 (loss) 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 or 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. 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, advances, and other receivables which are included in the consolidated statements of financial position;
- the inputs used in accounting for share-based compensation expense in the consolidated statements of comprehensive income (loss);
- the inputs used in accounting for share purchase warrants in the consolidated statements of comprehensive income (loss);
- the provision for income taxes which is included in the consolidated statements of comprehensive income (loss) and composition of deferred income tax assets and liabilities included in the consolidated statement of financial position at December 31, 2013; 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

In the current year, the Company applied a number of new and revised IFRSs issued by the International Accounting Standards Board ("IASB") that are effective for an accounting period that begins on or after January 1, 2013;

- IFRS 10 Consolidated Financial Statements

  Effective from January 1, 2013, IFRS 10 – Consolidated Financial Statements ("IFRS 10") supersedes SIC 12 – Consolidation – Special Purpose Entities and the requirements relating to consolidated financial statements in IAS 27 – Consolidated and Separate Financial Statements. Concurrent with the issuance of IFRS 10, the IASB issued IFRS 11 – Joint Arrangements ("IFRS 11") and IFRS 12 – Disclosure of Interests in Other Entities ("IFRS 12") and reissued IAS 27 – Separate Financial Statements and IAS 28 – Investments in Associates and Joint Ventures.

  IFRS 10 establishes control as the basis for the Company to consolidate its subsidiaries and defines control as the Company's power over the subsidiaries with exposure, or rights, to variable returns from the subsidiaries and the ability to affect the Company's returns through its power over the subsidiaries.

- IFRS 11 Joint Arrangements

  IFRS 11 supersedes IAS 31 – Interests in Joint Ventures and SIC 13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements.

- IFRS 12 Disclosure of Interests in Other Entities

  IFRS 12 combines and enhances the disclosure requirements for the Company's interests in its subsidiaries, joint arrangements, associates and unconsolidated structure entities. The requirements of IFRS 12 include enhanced reporting of the nature of risks associated with the Company's interests in other entities, and the effects of those interests on the Company's consolidated financial statements.

The adoption of IFRS 10, 11 and 12 did not have a significant impact on the consolidated financial statements.

- IFRS 13 Fair Value Measurement

  IFRS 13 defines fair value and sets out a single framework for measuring fair value which is applicable to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires that when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximized while unobservable inputs should be minimized. The Company has applied IFRS 13 on a prospective basis, commencing on January 1, 2013. Additional disclosure on the fair value of certain financial instruments is included in the consolidated financial statements as a result of applying IFRS 13.

The adoption of the following standard did not have any material effect on the financial performance or position of the Company:

- Amendments to IAS 1 - Presentation of items in Other Comprehensive Income
- IAS 19 (as revised in 2011) - Employee Benefits

Certain new accounting standards and interpretations have been published that are not effective for the December 31, 2013 reporting period. The Company is currently assessing the potential impact of the adoption of the following standards:

- IFRS 9 - Financial Instruments: The IASB recently suspended the originally planned effective date of January 1, 2015 and at present the effective date has not been determined.
- IFRIC 21 - Levies imposed by government: IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.

3/ MINERAL PROPERTIES

A) FOR THE YEAR ENDED DECEMBER 31, 2013:

	AZOD MINING PROPERTY & DEVELOPMENT	AZOD EXPLORATION & DEVELOPMENT	MINASCCASA	DOLORES	TOTAL
Balance, January 1, 2013	$ -	$ 31,473,146	$ 382,668	$ 6,092,633	$ 37,948,447
Property acquisition and maintenance	-	210,543	44,889	14,000	269,432
Geophysics	-	54,625	-	56,436	111,061
Geology	6,968	983,531	16,645	222,381	1,229,525
Drilling	-	-	-	521,776	521,776
Pre-feasibility	132,595	2,047,882	-	-	2,180,477
Project administration	24,779	527,717	36,340	394,976	983,812
Reclassification	32,420,504	(32,420,504)	-	-	-
Foreign exchange movement	1,111,080	1,164,078	29,197	465,806	2,770,161
Balance, December 31, 2013	$ 33,695,926	$ 4,041,018	$ 509,739	$ 7,768,008	$ 46,014,691

B) FOR THE YEAR ENDED DECEMBER 31, 2012:

	AZOD EXPLORATION & DEVELOPMENT	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 and analytical	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

As at December 31, 2013, the Company held a 100% interest in the AZOD and Minasccasa projects and a 70% interest in the Dolores project.

On August 6, 2013, the Company announced it had a received a positive Pre-feasibility Study ("PFS") on the AZOD district. The PFS has categorized certain of the project's resources as proven and probable reserves. As a result of this report the Company tested the carrying value of the assets included in the PFS for impairment and then reclassified those expenditures to Mining Property & Development within Mineral Properties.

On August 28, 2012 the Company and First Quantum Minerals Ltd. ("First Quantum"), see note 9c, entered into a formal Earn-In Shareholders Agreement (the "Earn-In Agreement") relating to the Company's Dolores coppery porphyry project. Under the terms of the Earn-In Agreement, First Quantum can earn up to an 80% interest in Polymex Resources Ltd. ("Polymex") (at that time a 100% owned subsidiary of Zincore) which indirectly controls the Dolores 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 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"). This notice was received by Zincore in October 2013. 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 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 Canadian 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.

As of December 31, 2013, First Quantum had contributed US $6,341,814 ($6,344,179 in Canadian dollars) in cash towards its earn-in commitment. First Quantum has also incurred exploration expenditures totalling US $784,957 to make its total earn-in contribution to the project, as of December 31, 2013, a total of US $7,126,771. During the fourth quarter of 2013, First Quantum notified the Company of its intention to vest its 30% interest in Polymex. As a result of this vesting the Company recorded US $3.0 million dollars ($2,942,879 in Canadian dollars) in non-controlling interest in the consolidated statements of financial position. As at December 31, 2013, First Quantum's cash contribution to its second earn-in totalled US $3,341,814 ($3,401,300 in Canadian dollars). As of the date of these financial statements, First Quantum has contributed an additional US $223,751 towards its second earn-in and now has a current total earn-in contribution of US $7,350,522.

On July 23, 2013, the Company announced that it has expanded its strategic partnership with First Quantum under a binding Memorandum of Understanding ("MOU") to pursue a regional copper exploration program over 55,000 hectares of Zincore's 100% owned property package (the "Reconnaissance Properties"). This reconnaissance phase extends until April 1, 2015 and Zincore will provide to First Quantum access to all geological, geophysical and general information for the Reconnaissance Properties. In turn, First Quantum, utilizing Zincore staff, will conduct exploration activities with the goal of defining one or more "Copper Target Properties" that comprise one or more "Copper Target Areas" within the Reconnaissance Properties. In the event First Quantum determines it wishes to select a Copper Target Area, the two companies will execute a framework agreement, as described below, to further develop the target under a new joint venture. During the Reconnaissance Phase, First Quantum is not subject to any minimum investments, except to fully fund the exploration programs designed and agreed upon by a Technical Committee, comprised of two representatives each from First Quantum and Zincore and to maintain the Reconnaissance Properties in good standing.

Upon First Quantum selecting one or more Copper Target Areas, the two parties will execute a Framework Agreement to govern a joint venture for each Copper Target Area (the "Copper Target JV"). Each Framework Agreement will be subject to the laws of Peru and will allow First Quantum, at its sole discretion, the right to earn up to an 80% interest in the Copper Target JV by achieving specified objectives.

- First Earn-In: First Quantum can earn a 50.1% interest in a the Copper Target JV by incurring at least US $4 million in exploration expenditures per Copper Target Area within 30 months of First Quantum being granted a mining assignment for such Copper Target Area (the "Effective Date"). Once First Quantum has incurred an aggregate of US $4 million in exploration expenditures for a Copper Target Area, its 50.1% interest in the Copper Target JV shall be earned (the "Vesting Date").

- Second Earn-In: First Quantum shall have the right to acquire an additional 9.9% interest in the Copper Target JV, for an aggregate interest of 60%, by producing a Canadian NI 43-101 compliant technical report with a minimum threshold of an Indicated resource estimate of 1 million tonnes of contained copper, using a 0.20% cut-off grade within the relevant Copper Target Area, within 18 months of the Vesting Date.

- Third Earn-In: First Quantum shall have the right to earn an additional 10%, for an aggregate 70% interest in the Copper Target JV, by providing within 36 months of the Vesting Date, studies in sufficient detail that under industry customs a fully informed development decision can be made.

- Fourth Earn-In: First Quantum shall have the right to acquire an additional 10%, for an aggregate 80% in the Copper Target JV, by commencing copper production at the target within 96 months of the Effective Date. If commercial production does not commence within the designated period, the parties' interests in the Copper Target JV shall remain at 70% for First Quantum and 30% for Zincore. First Quantum will be responsible for funding all costs associated with construction of a mine and bringing any Copper Target Area to commercial production including Zincore`s share of capital expenditures for construction to reach commercial production. Zincore's 20% (or 30%, if applicable) portion of the construction costs shall be repaid from 70% of the dividends that Zincore would otherwise be entitled to receive on a pro rata basis from the Copper Target JV.

At any time, Zincore has the option to convert its shareholding interest in a Copper Target JV into a 3% net smelter royalty payable on all minerals extracted and marketed from the Copper Target Area.

On December 10, 2013, the Company announced that First Quantum has selected three Copper Target Areas for further exploration. The two companies will now execute separate framework agreements for each Target Area to further explore and, if warranted, develop the Targets as joint ventures. The three Copper Target Areas are Larisa, Gema and Alcatraz (formerly referred to as Laca-Laca).

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 August 26, 2013, the Company completed a six-for-one consolidation of the Company's common shares. All comparative period information for common shares, stock options, and warrants has been adjusted to reflect this consolidation. As well, the consolidation effected a reduction in the number of common shares issuable upon any potential conversion of the outstanding convertible loan held by First Quantum described in note 7 as well as a proportionate increase to the loan conversion price.

On September 27, 2013, the Company announced that it had closed a private placement for gross proceeds of US $750,000 ($771,375 in Canadian dollars) by issuing 2,777,775 units at a price of US $0.27 per unit. Each unit consisted of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at US $0.36 for up to 24 months. The 1,388,887 warrants issued were valued at $157,361 by using the Black-Scholes options pricing model assuming no dividends are to be paid, volatility of 103%; risk free interest rate of 1.24%; and an estimated life of 2 years. This amount was recorded in share capital as share issue costs, and share purchase warrants, in the consolidated statements of financial position. As at December 31, 2013, these warrants were re-valued at $62,500 with the resulting gain of $94,861 being recorded in the consolidated statements of comprehensive income (loss). The warrants were re-valued by using the Black-Scholes options pricing model assuming no dividends to be paid, volatility of 118%; risk free interest rate of 1.07%; and an estimated life of 21 months. As these warrants were issued in US dollars, which is not the functional currency of the Company, they were re-valued to fair value as at December 31, 2013 and the change was recorded in the consolidated statements of comprehensive income (loss).

During 2013, the Company issued 422,472 common shares, valued at $77,212 and recorded in consulting and management fees, to its CEO in lieu of payment of a portion of his earnings relating to the seven month period ending November 30, 2013.

On May 10, 2012, First Quantum purchased, by way of a private placement, 3,185,645 common shares of the Company at a price $1.20 per share for gross proceeds totalling $3,822,775. The Company paid fees totalling $187,275 in connection to this private placement.

On March 16, 2012, the Company raised, by way of a non-brokered private placement, gross proceeds totalling $5,405,000 by issuing 4,504,168 units at $1.20 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 $1.80 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.

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, 2013 there were 3,784,995 share options outstanding, of which 2,562,767 were exercisable.

	AT DECEMBER 31, 2013			AT DECEMBER 31, 2012		
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE		NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	
Outstanding at beginning of year	1,934,166	$	1.67	1,638,943	$	2.08
Granted	1,916,667	$	0.24	500,833	$	0.78
Exercised	–	$	–	–	$	–
Cancelled	(65,838)	$	1.56	(205,610)	$	3.25
Outstanding at end of year	3,784,995	$	0.94	1,934,166	$	1.67
Exercisable at end of year	2,562,767	$	1.29	1,600,277	$	1.86

EXERCISE PRICE RANGE	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING YEARS	NUMBER OF OPTIONS EXERCISABLE
$0.14-$0.50	1,916,667	$0.24	4.7	694,439
$0.51-$1.00	500,832	$0.78	3.8	500,832
$1.01-$2.00	1,135,828	$1.70	1.6	1,135,828
$2.01-$4.00	231,668	$3.48	1.9	231,668
	3,784,995	$0.94	3.5	2,562,767

As a result of common shares issued, and share options granted and the vesting and amortization of previous grants, during year ended December 31, 2013 the Company recognized $383,522 (2012 – $372,095) as share-based compensation expense. Of these amounts, as a result of the common shares issued to the Company's CEO as described above, $77,212 (2012 – $nil) was recorded in share capital for the year ended December 31, 2013. As well, as a result of share options granted, and the vesting and amortization of previous grants, during the year ended December 31, 2013, the Company recognized $306,310 (2012 - $372,095) as share-based compensation expense and recorded this amount in share based payment reserve. These amounts were recorded as follows:

	YEAR ENDED DECEMBER 31, 2013		YEAR ENDED DECEMBER 31, 2012	
Consulting and management fees	$	126,042	$	25,916
General exploration	$	25,332	$	72,653
Salaries and benefits	$	232,148	$	273,526
Total	$	383,522	$	372,095

The value of the share options granted during the years ended December 31, 2013 and 2012 was determined using the Black-Scholes option pricing model. During the year ended December 31, 2013 the weighted average grant-date fair value of $0.15 (2012- $0.09) for each option granted was estimated using the following weighted average assumptions: no dividends are to be paid; volatility of 98% (2012 - 96%); risk free interest rate of 1.6% (2012 – 1.3%); expected life of 3.5 years (2012 – 3.5 years); and forfeiture rate of nil (2012 – 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, 2013 the Company had the following warrants outstanding:

AMOUNT	EXERCISE PRICE		EXPIRY DATE
2,252,083	$	1.80	MARCH 16, 2014
1,908,333	$	2.40	JUNE 15, 2014
1,388,887	$	U.S. 0.36	SEPTEMBER 27,2015
5,549,303			

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

AMOUNT	EXERCISE PRICE		EXPIRY DATE
2,252,083	$	1.80	MARCH 16, 2014
1,908,333	$	2.40	JUNE 15, 2014
4,160,416			

The warrants reserve represents the cumulative fair value of warrants issued except for the US dollar issued warrants whose fair value is recorded as a liability in the consolidated statements of financial position.

5/ DEFERRED TAXES

a) 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, 2013		DECEMBER 31, 2012	
Canadian statutory income tax rate		25.75%		25.00%
Recovery of income taxes computed at statutory rate	$	685,110	$	939,472
Non-deductible expenses		(229,088)		(245,896)
Effect of higher (lower) tax rates of foreign jurisdictions		25,885		33,281
Rate changes and others		(147,227)		801,179
Tax assets not recognized		(334,680)		(1,528,036)
Income tax expense	$	–	$	–

The Canadian Federal corporate tax rate was 15.0% and the British Columbia provincial tax rate increased from 10% to 10.75% effective April 1, 2013. The overall increase in tax rates has resulted in a increase in the Company's statutory tax rate from 25.00% to 25.75%.

b) Deductible temporary differences, unused tax losses and unused tax credits for which no deferred assets have been recognized are attributable to the following:

	DECEMBER 31, 2013		DECEMBER 31, 2012	
Non-operating loss carryforwards	$	20,056,769	$	18,891,075
Capital loss carryforwards		210,964		210,964
Share issue costs		746,761		1,143,178
	$	21,014,494	$	20,245,217

There are $5.6 million (2012 - $5.3 million) of deferred tax assets not recognized at December 31, 2013. At December 31, 2013, the Company had loss carry forwards available for tax purposes totalling $15.2 million in Canada expiring in 2027 to 2033 and $4.8 million in Peru expiring between 2014 and 2018. The Company also has capital loss carry forwards available in Canada totalling $210,964 (2012 - $210,964).

6/ ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include $462,000 (December 31, 2012 - $634,533) in deferred compensation earned in 2012. This amount is only payable upon completion of a successful financing by the Company. The remaining amount is primarily related to trade payables.

7/ CONVERTIBLE LOAN

On April 17, 2013, the Company completed a loan agreement with First Quantum whereby First Quantum provided the Company with a US $2 million loan ("the Loan") 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 First Quantum's obligations to incur project expenditures for the Dolores joint venture as per the Earn-in Agreement discussed in note 3;
- Credit all or a portion of the Loan amount towards the First Quantum's obligations to earn an interest into any new copper target relating to the "MOU" announced on July 23, 2013 and discussed in note 3; or
- 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 the issuing of a number of shares greater than 10% of the Company's issued and outstanding common shares at the time of conversion. 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 US $0.48/share. The price of the conversion was originally US $0.08/share, but was changed to US $0.48/share as a result of the share consolidation described in note 4(b). The fair value of this conversion option was negligible at December 31, 2013.

As of December 31, 2013, the Company had accrued interest expense of US $85,695 ($89,859 in Canadian dollars) related to this loan and recorded foreign exchange losses relating to this loan totalling $87,285.

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, 2013	AT DECEMBER 31, 2012
Peru	$ 46,126,164	$ 38,059,171
Canada	20,804	27,160
Total	$ 46,146,968	$ 38,086,331

9/ 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 in 2012 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, 2013	YEAR ENDED DECEMBER 31, 2012
Remuneration paid to a company controlled by a director for contracting services	$ 286,579	$ 396,214

B) Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2013 and 2012 is as follows:

	YEAR ENDED DECEMBER 31, 2013	YEAR ENDED DECEMBER 31, 2012
Short-term benefits [1]	$ 582,527	$ 1,296,782
Share-based payments [2]	354,128	282,924
Total	$ 936,655	$ 1,579,706

1 Short-term benefits include consulting and management fees disclosed in Note 9(a).

[2]Share-based payments are the fair value of options that have been granted to directors and key management personnel as well as common shares issued and accrued for management fees for CEO totaling $89,927 (2012 – nil) in 2013.

C) First Quantum

As of the date of these consolidated financial statements, First Quantum owns 21.72% of the Company's issued and outstanding common shares and is considered a related party.

10/ LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2013 was based on the loss attributable to common shareholders of $2,660,622 (2012 - $3,757,886). The weighted average number of common shares outstanding for the year ended December 31, 2013 was 35,851,496 (2012 – 33,013,864).

Diluted loss per share did not include the effect of 9,334,298 (2012 – 6,094,583) share options and warrants as they are anti-dilutive.

11/ COMMITMENTS

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

	TOTAL	2014	2015	2016	2017
Operating lease obligations	$ 643,532	$ 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.

12/ 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.

13/ 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:

	DECEMBER 31, 2013		DECEMBER 31, 2012		
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	
FINANCIAL ASSETS					
Fair value through profit or loss					
Cash and cash equivalents	$ 592,751	$ 592,751	$ 2,012,766	$ 2,012,766	Level 1
FINANCIAL LIABILITIES					
Fair value through profit or loss					

	DECEMBER 31, 2013		DECEMBER 31, 2012		
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	
Share purchase warrants	$ 62,500	$ 62,500	$ -	$ -	Level 2

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, advances and other receivables,accounts payable, and convertible loan 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 and Peru. 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 notes 4 and 7, during the past 2 years ended on December 31, 2013, the Company has raised gross proceeds of approximately $12.1 million by completing three private placements of common shares and entering into one convertible loan agreement. However, as a result of current market conditions, it has become increasingly difficult for exploration stage companies to raise capital. Therefore, as discussed in note 4, the Company has expanded its strategic partnership with First Quantum, whereby First Quantum will be funding certain exploration expenditures on the Company's property portfolio until April 1, 2015. The Company is continuously evaluating alternatives in order to raise additional capital to increase liquidity and to cut costs where possible, but there is no certainty that additional capital will be raised. As at December 31, 2013, cash resources totalled $592,751.

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 $153,000 (2012 - $51,300) with a 10% strengthening having the opposite effect.

Assuming the Company's financing efforts are successful in 2014, a 10% weakening of the Canadian dollar relative to the U.S. dollar would increase budgeted deferred mineral property expenditures by approximately $70,000 (2012 - $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, and interest accrued on its convertible loan from First Quantum. A 1% decrease in short-term rates would decrease interest income, from the Company's cash and cash equivalents, and increase net loss of the Company by approximately $13,000 (2012 - $20,000) over the next year. However, due to the convertible loan from First Quantum, the same 1% decrease in short-term interest rates would decrease interest expense and decrease net loss by approximately $20,000 (2012 - $nil) over the same year.