



Zincore Metals Inc.

2008 Annual Report

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

**For the years ended December 31, 2008 and 2007
All figures in Canadian dollars unless otherwise noted**

GENERAL

The following Management's Discussion and Analysis ("MD&A") of Zincore Metals Inc. and its subsidiaries ("Zincore" or the "Company"), for the years ended December 31, 2008 and 2007 should be read in conjunction with the Company's audited financial statements for the years ended December 31, 2008 and 2007 which are available on the Company's website at www.zincoremotals.com or on the SEDAR website at www.sedar.com. Additional information relating to the Company, including its Annual Information Form ("AIF") dated March 9, 2009, is also available on SEDAR at www.sedar.com.

This MD&A has taken into account information available up to and including March 9, 2009.

All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles and presented in Canadian dollars unless otherwise noted.

The Company is currently engaged in exploration and development of mineral properties and does not have any source of revenue or operating assets. The recoverability of the amounts shown for mineral properties and related deferred costs is dependant upon the ability of the Company to obtain necessary financing to complete exploration, technical studies and, if warranted, development and future profitable production or proceeds from the disposition of properties. The amounts shown as mineral properties represent costs to date and do not necessarily represent present or future values.

FORWARD-LOOKING STATEMENTS

Statements in this MD&A that are forward-looking are subject to various risks and uncertainties concerning the specific factors disclosed under the heading "Risks and Uncertainties" in this document and elsewhere in Zincore's AIF. Such information contained herein represents management's best judgment as of the date hereof based on information currently available. Zincore does not assume the obligation to update any forward-looking statements other than as required pursuant to applicable securities laws.

DESCRIPTION OF BUSINESS

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

Zincore has been focused on exploration, definition drilling and technical studies at its Accha-Yanque property in Peru. The Company also conducted initial exploration at its other properties to further assess potential and develop more detailed exploration programs. Due to current market conditions and liquidity constraints, Zincore has dramatically reduced its corporate and exploration teams and activities. Current work is limited to metallurgical test work on Yanque ore, maintaining its Accha exploration camp and on securing a community agreement which would enable work to commence on the Minasccasa project in Peru. All active exploration programs have been halted and community relationships are being managed to facilitate a resumption of exploration upon additional financing.

OVERALL PERFORMANCE AND CURRENT ECONOMIC CONDITIONS

The zinc market and zinc-related equities performed poorly during the fourth quarter of 2008. Prices of metals and equities have stabilized subsequent to the end of the quarter. Zinc prices fell from \$0.75 per pound at the beginning of the quarter to approximately \$0.50 per pound at the end of the quarter. Since quarter end, zinc price levels have traded between \$0.47 and \$0.55 per pound.

Metal prices fell due to lowered projections of global growth and economic performance combined with the financial and liquidity crisis that affected the global equity markets. These factors had a dramatic impact on asset and corporate valuations of exploration and development stage mineral companies.

The impacts of the global economic crisis on Zincore include a more challenging market to raise equity capital, a reduction in the market value of development assets due to lowered metal price expectations and a more challenging project financing market and reduction of funding from senior mining companies for junior exploration companies.

Zincore's equity price and enterprise valuation have been impacted due to the above issues and concerns relating to the ability of non-cash flow generating companies, such as Zincore, to raise capital to finance their operations and/or the dilution associated with such capital raisings at current valuations.

MANAGEMENTS'S DISCUSSION AND ANALYSIS

In light of market conditions Zincore has reduced its staffing levels in Vancouver and Peru and exploration activities and budgets to preserve its cash resources. The Outlook section of this MD&A contains further discussion on planned activities and budgets. Additionally, the Company is reviewing opportunities to increase financial liquidity including transactions with third parties.

Zincore has determined that the deferred mineral property costs of certain assets are impaired. The most material of these is the Minascasa project which was written off due to the lack of activity on the project over the preceding three years. Other earlier stage assets in Peru and Chile were written off due to uncertainty regarding future exploration activity and retention of claims in light of Zincore's current financial resources. In June the Company wrote-off its Condorini project on termination of its earn-in agreement on the property. While the exploration potential at the Minascasa property remains compelling, the lack of community access agreement continues to impede exploration. These impairments were recorded in the fourth quarter of 2008.

Zincore made significant technical progress on its assets in 2008.

In March 2008 Zincore completed an updated inferred mineral resource estimate on its Yanque deposit that complemented the mineral resource estimate completed on the Accha deposit in late 2007. The Company now has over 880 million pounds indicated and 1.4 billion pounds inferred zinc mineral resources and over 90 million pounds indicated and 1.2 billion pounds inferred lead mineral resources (see Property Review section of this MD&A or press releases dated March 3, 2008 and December 6, 2007 for complete details).

A significant 45 drill hole exploration program was completed on the Yanque deposit. The mineral resource estimate completed included only the results of the initial 21 holes and must be updated to incorporate all the drill results.

The Company completed a prefeasibility study ("PFS") on its Accha deposit during May 2008. Led by SNC Lavalin Chile, the PFS concluded Accha could produce 130,000 tonnes of zinc oxide concentrate grading approximately 27% zinc annually over a seven-year mine life. The PFS estimated site operating costs at US\$0.28 per pound and pre-production capital costs at approximately US\$65 million (see Property Review section of this MD&A or press release dated May 1, 2008 for further details).

In the latter part of 2008, Zincore increased its efforts to secure a community access agreement over the Minascasa property. Progress is being made and the Company remains committed to reaching an agreement.

During 2008, Zincore expanded its property portfolio by acquiring properties in Chile and Mexico. Initial exploration of the Piren property in Chile yielded the discovery of a promising gold target. Exploration work has yet to be conducted in Mexico.

On September 10, 2008, Zincore's significant shareholder, Southwestern Resources Corp. ("Southwestern"), announced the settlement of class actions brought against Southwestern in 2007. The settlement placed no conditions on Southwestern's 48% shareholding in Zincore.

At December 31, 2008, the Company had \$1.3 million in cash and cash equivalents on hand, with no long-term debt and minor fixed exploration and property maintenance commitments.

SELECTED ANNUAL INFORMATION

	YEAR ENDED DECEMBER 31, 2008	YEAR ENDED DECEMBER 31, 2007	NINE MONTHS ENDED DECEMBER 31, 2006
Interest and other income	\$ 129,202	\$ 497,150	\$ 111,149
Net loss	\$ 3,714,695	\$ 3,152,001	\$ 1,566,303
Net loss per share	\$ 0.05	\$ 0.04	\$ 0.06
Total assets	\$ 17,217,550	\$ 20,863,704	\$ 21,927,177
Financial liabilities	\$ 181,782	\$ 390,135	\$ 506,380
Cash dividends per share	\$ —	\$ —	\$ —

Zincore does not yet have operating mining assets. Annual variations in costs and net losses reflect the higher or lower levels of exploration activities on its properties. The reduced interest and other income resulted from lower cash balances combined with lower prevailing interest rates. The higher net loss in 2008 resulted from lower operating losses due to reduced exploration activities offset by deferred property cost write-offs. The lower financial liabilities largely reflect lower accounts payable due to reduced activities.

RESULTS OF OPERATIONS

	YEAR ENDED DECEMBER 31, 2008	YEAR ENDED DECEMBER 31, 2007
General exploration expense	\$ 1,109,277	\$ 1,245,207
Consulting and management fees	\$ 677,164	\$ 998,469
Other general and administrative expenses	\$ 958,578	\$ 943,237
Foreign exchange (gain) loss	\$ (222,003)	\$ 451,396
Amortization	\$ 11,787	\$ 8,231
Mineral property costs written off	\$ 1,299,009	\$ 2,611
Mineral properties and property, plant & equipment	\$ 15,701,727	\$ 12,103,737

General exploration expense of \$1,008,291, net of stock-based compensation expense allocation, was marginally higher than \$946,302 in net general exploration expense in 2007. The increase reflected spending in Chile and Mexico in 2008 to establish Zincore's operations and property positions and severance costs in Peru somewhat offset by lower exploration related expenses in Peru.

Consulting and management fees expense was largely unchanged from \$576,462 in 2007 to \$590,883 in 2008, net of stock-based compensation expense allocation, as management staffing levels were equivalent in both periods. Stock-based compensation expense attributable to consulting and management was significantly lower in 2008.

General and administrative expenses were similar in 2008 at \$958,578 versus \$943,237 in 2007 as lower office costs were offset by higher investor relations and legal costs.

Stock-based compensation expense decreased from \$941,723 in 2007 to \$276,891 in 2008 due to the timing of vesting schedules related to stock option grants, lower value of options granted in 2008 and stock option forfeitures for which stock-based compensation expense recorded for unvested options was reversed due to employee departures. Stock-based compensation expense in 2008 was allocated \$86,281 to consulting and management fees, \$100,986 to general exploration and \$89,624 to office. In 2007, stock-based compensation was allocated \$422,007 to consulting and management fees, \$298,905 to general exploration and \$220,811 to office expense.

During 2008 the Company incurred a foreign exchange gain of \$222,003 compared to a foreign exchange loss of \$451,396 in 2007. Foreign exchange gains and losses result primarily from the translation of US dollar denominated monetary assets to Canadian dollars. The gain in 2008 was the result of the weakening of the Canadian dollar relative to the US dollar.

In the fourth quarter of 2008, Zincore recorded an impairment charge of \$1,006,775 relating to deferred mineral property costs on its Minasccasa property and certain properties in Chile and Peru. The impairment of Minasccasa was due to the lack of exploration activity over the preceding three years due to not obtaining community access agreements. Certain properties in Chile and Peru were impaired due to the uncertainty of future exploration activities. During the second quarter of 2008 Zincore wrote-off deferred mineral property costs related to the termination of its joint venture on the Condorini project, \$292,234.

PROPERTY REVIEW

ACCHA-YANQUE PROPERTY

The 100%-owned Accha-Yanque property covers more than 45,000 hectares and hosts zinc and lead oxide mineral reserves at the Accha deposit and mineral resources at both the Accha and Yanque deposits: the Accha deposit at the north end of the belt and the Yanque deposit 30 kilometres to the south. Mineralization has been identified in numerous other showings on the property and initial exploration on certain targets has been completed. Zincore's objective for the Accha-Yanque property is to define sufficient mineral resources to justify the construction of a dedicated leach, solvent extraction and electro-winning zinc refinery.

Accha

After considerable exploration work in 2006 and 2007, limited exploration activity was completed at the main Accha deposit in 2008, but the camp acted as the base for regional exploration on the belt and for support of the Yanque drilling program. Extensive engineering work was completed on the deposit culminating in the completion of a prefeasibility study.

In 2007 Zincore completed a 16,500-metre exploration and infill drill program on the Accha deposit. The results were integrated into the historical drill database and a NI 43-101 mineral resource estimate was prepared by independent consultant

Pincock, Allen & Holt ("PAH") and released on December 6, 2007¹. The results showed that Accha hosts high-grade, near surface zinc oxide mineralization and reported 5.1 million tonnes of indicated mineral resources at 8.2% zinc and 0.9% lead and 1.4 million tonnes of inferred mineral resources at 5.9% zinc and 0.7% lead.

This resource estimate, combined with metallurgical test work completed during 2007, provided the basis for completion of a PFS in 2008 on the Accha deposit. Led by SNC Lavalin Chile, the PFS looked at the technical capability of producing zinc oxide concentrates from Accha ore and also assessed the economic merits of selling the zinc oxide concentrates to third parties. The zinc oxide concentrates would also be suitable for shipment to a zinc refinery on the Accha-Yanque belt. On May 1, 2008, Zincore released the results of the PFS² which concluded Accha could produce 130,000 tonnes of zinc oxide concentrate grading approximately 27% zinc annually over a seven-year mine life. The PFS estimated site operating costs at US\$0.28 per pound and pre-production capital costs at approximately US\$65 million. The mine plan is a combination of open pit followed by underground mining to supply ore to a conventional dense media separation, milling and flotation circuit.

As a result of the PFS, a portion of Accha mineral resources were reclassified as mineral reserves, totalling 4.2 million tonnes grading 7.9% zinc and 0.8% lead. A revised technical report on the deposit was filed with SEDAR in June 2008.

The PFS also identified a number of opportunities to improve the project, principally related to resource increases by infill drilling of the inferred mineral resources to convert them to indicated mineral resources, exploration drilling where the deposit remains open, and lock-cycle metallurgical work aimed at improving the concentrate grade.

In total during 2008, capitalized expenditures on the Accha deposit totalled approximately \$1.38 million on exploration, support camp and community related activities and approximately \$715,000 on technical and engineering related activities.

Yanque

During the third quarter of 2008, Zincore successfully completed the first phase drilling program at Yanque, drilling 45 holes totalling 6,527 metres. The 24 holes drilled in 2008 complement the 21 holes drilled during 2007. The first 21 holes provided the basis for an updated mineral resource estimate. On March 3, 2008, Zincore released an updated mineral resource estimate prepared by PAH. The new estimate represented a 55% increase in tonnes and an 88% increase in contained metal over the previous inferred mineral resource estimate³. All of the resources are near surface and amenable to open pit mining. A technical report relating to this mineral resource estimate was filed on SEDAR in April 2008.

Yanque Deposit Inferred Mineral Resource Estimates ^{1 2 3 4 5 6}

CUT-OFF GRADE – ZINC PLUS LEAD (%)	TONNES (000'S)	ZINC GRADE (%)	LEAD GRADE (%)
6.0	7,520	6.22	6.33
5.5	8,498	5.85	5.92
5.0	9,621	5.44	5.58
4.5	10,258	5.28	5.34
4.0	11,113	5.05	5.08
3.5	12,361	4.74	4.74

- All mineral resources have been calculated in accordance with the standards of the CIM Definition Standards on Mineral Resources and Mineral Reserves, as required by NI 43-101.
- Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political or other relevant issues.
- Inferred mineral resources are that part of a mineral resource for which quantity and grade can be estimated on the basis of geological evidence and limited sampling and can be reasonably assumed. It is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource.
- Density utilized in the mineral resource estimates was 2.5 tonnes per cubic metre.
- The mineral resource estimate was prepared by PAH under the direction of Mr. Aaron McMahon, a professional geologist and independent qualified person.
- Contained zinc and lead represent estimated metal in the ground and have not been adjusted for metallurgical or other recovery factors

A further mineral resource estimate incorporating all of the drilling has not been completed.

Preliminary metallurgical studies on core from two drill holes taken from the 2007 drill program at Yanque were completed at Mintek Laboratories in Johannesburg under the supervision of Green Team International ("GTI"). Subsequently, GTI visited the Yanque property in June 2008 to select further metallurgical samples from the drill program to ensure representative samples across the expanded deposit were included in the metallurgical studies. Limited metallurgical work was completed on the second set of metallurgical samples. The result of this preliminary work indicates excellent recovery (75-80%) of the lead minerals, primarily cerrusite, through dense media separation ("DMS") and flotation in a manner similar to the process

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

designed for Accha. Further, this work indicated a lead concentrate grading over 50% lead could be produced. Recovery of the zinc minerals through DMS and flotation is variable but, on average, low due to the presence of a high amount of zinc clays and lower grade zinc minerals that do not respond favourably to DMS. The recovery of zinc into the lead concentrate does provide a significant credit to the lead concentrate. Further work, with a focus on improving zinc recoveries, is required to evaluate alternate process opportunities and determine suitable input parameters for a pre-feasibility study.

Zincore has initiated test work utilizing ammonia based solutions to leach the base metals. These solutions are more selective for base metals over gangue than conventional acid based leach solutions. Should this initial test work prove successful, it could provide an alternate development option for producing zinc metal at site.

In total during 2008, Zincore capitalized expenditures on the Yanque deposit totalling approximately \$1.78 million on exploration and community related activities and approximately \$250,000 on technical and engineering related activities.

Zincore also expended approximately \$400,000 on exploration on other targets along the Accha-Yanque belt.

Other Exploration Properties

At the 100%-owned Minasccasa property, Zincore held meetings with community leaders during the second half of 2008. Progress on reaching a community agreement remains slow, but Zincore will continue its plan of engagement and education and remains confident that an agreement on the project will be reached.

In Chile, Zincore completed the staking of three blocks of ground. Initial work on the Piren property identified a promising gold target as reported in the Company's news releases dated August 20, 2008 and January 15, 2009. Further work on this target will be completed as financing permits.

In Mexico, after significant evaluation of prospective trends and mineral deposit controls, Zincore staked three properties. The Company is evaluating opportunities to commence prospecting work.

QUARTERLY FINANCIAL INFORMATION

The selected consolidated financial data has been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2008 and 2007.

In general, overall spending levels have varied commensurate with the changes in the Company's exploration, development and corporate activities.

Quarterly expense levels of manageable expenses are generally comparable quarter on quarter as Zincore has made no significant changes in its management team, staffing levels or scope of activities prior to the reductions during the quarter ending September 30, 2008 and further reductions in the quarter ending December 31, 2008.

Quarterly variances in net loss have generally been impacted by five key factors: deferred mineral property write-offs, stock-based compensation expense, foreign exchange gains or losses, interest income and general exploration expense.

Selected Quarterly Financial Data (unaudited)

FISCAL QUARTER ENDED	DEC 31 2008	SEP 30 2008	JUN 30 2008	MAR 31 2008	DEC 31 2007	SEP 30 2007	JUN 30 2007	MAR 31 2007
Interest income	\$ 8,192	\$ 15,867	\$33,754	\$71,389	\$ 97,973	\$ 117,964	\$ 130,043	\$ 151,170
Net loss	\$ (1,359,005)	\$ (528,411)	\$(985,241)	\$(842,035)	\$ (703,186)	\$ (723,169)	\$ (851,226)	\$ (874,420)
Net loss per share	\$ (0.02)	\$ (0.01)	\$(0.01)	\$(0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Total assets	\$ 17,217,550	\$ 18,705,672	\$19,414,235	\$20,399,498	\$ 20,863,704	\$ 20,500,445	\$ 20,902,432	\$ 21,543,888
Total liabilities	\$ 181,782	\$ 323,530	\$550,409	\$598,198	\$ 390,135	\$ 395,287	\$ 391,720	\$ 661,609

During the second quarter of 2008 Zincore expensed previously deferred costs of \$292,234 relating to its Condorini property on termination of the joint venture agreement and in the fourth quarter of 2008 of \$1,006,775 on its Minasccasa and other properties.

Stock-based compensation expense is impacted by vesting schedules, forfeitures and the number of options granted by the Board. Foreign exchange losses vary based on the strengthening or weakening of the Canadian dollar relative to the US dollar and Peruvian sole, and interest income varies with cash balances and interest rates.

General exploration expense varies depending on the focus of activities within the Company. During periods where the Company is evaluating new opportunities or establishing a presence in a new country, general exploration expense is generally higher than in other periods. In addition, principally during the fourth quarter of 2008, the Company recorded statutory severance costs relating to the reduction of its Peru based exploration employees.

Total assets in the fourth quarter of 2008 decreased to \$17.2 million principally reflecting the use of cash for non-capitalized expenditures primarily related to management, general exploration and general and administrative costs and reflecting the deferred mineral property write-offs.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Zincore is a mineral exploration company and as such is not in commercial production at any of its mineral properties and, accordingly, it does not generate cash from operations. The Company intends to finance its activities by raising capital through the equity markets or asset divestitures.

Zincore had working capital of \$1,308,169 at December 31, 2008 compared to \$8,162,509 at December 31, 2007. Working capital consists of current assets less current liabilities. Current assets includes approximately \$120,000 in taxes receivable from the government of Peru which it expects to receive in the second quarter of 2009 as detailed later in this section. The receivable has been re-classified to current assets as the Company has fulfilled its requirements to receive this amount during 2009 and received approximately \$250,000 under this program in 2008. The working capital decrease compared to year end 2007 resulted from lower cash balances as a result of expenditures and investments on exploration, project development, corporate costs and other operating activities.

Zincore's cash position at December 31, 2008 was \$1,255,676. Due to current market conditions for financing and the collapse of valuations within the junior mineral sector, Zincore has reduced its planned cash expenditures to preserve its cash resources. Current market conditions and the valuation of Zincore and other junior mineral exploration companies, make the present environment for raising additional financing unfavourable.

Zincore's current liquidity is sufficient to maintain its key properties and fund the Company in a limited operation mode through 2009 as further described in the Outlook section.

The Company requires additional financing to materially advance its assets. The Company is pursuing partners and financing options to improve liquidity, but there is no certainty of such transactions occurring.

Zincore does not hold any asset-backed commercial paper and has no long-term liabilities. Current liabilities at the end of the third quarter totaled \$181,782. Accounts payable and accrued liabilities relate principally to trade payables. Zincore has no pre-arranged sources of debt financing.

The Company's material contractual obligation is an office lease agreement for its corporate office in Vancouver, which expires on March 31, 2011. The agreement covers rent and operating expenses currently estimated at \$11,075 per month.

In December 2008 Zincore signed a sub-lease agreement with a third party that fully funds its obligations regarding the corporate office lease until expiry of the lease agreement. The sub-lease became effective January 15, 2009.

	TOTAL	< 1 YEAR	1-3 YEARS	3-5 YEARS
Contractual obligations				
Operating lease obligations	\$275,760	\$122,520	\$153,150	\$nil

Zincore has no commitments for capital expenditures. Annual property maintenance payments total approximately US\$178,000 in Peru, due in June 2009. The Company has reviewed its property holdings in Peru and, if required, the amount of maintenance payments can be reduced to approximately US\$58,000 while maintaining the key Accha-Yanque belt and Minasccasa claims. Zincore also has commitments of approximately US\$6,300 to maintain the Piren concession in Chile and US\$8,500 to maintain its concessions in Mexico.

On September 26, 2007 the Ministry of Energy and Mines in Peru approved the application by Exploraciones Collasuyo SAC ("Collasuyo"), Zincore's wholly indirectly owned subsidiary, for early recovery of the Impuesto General A Las Ventas ("IGV") or general sales tax on qualifying expenditures. The current rate of IGV is 19% on all goods and services purchased. Under this approved application Collasuyo can, as of the above date, apply to the Peruvian tax authorities for the monthly rebates of IGV paid on qualifying expenditures. Qualifying expenditures include all site exploration and drilling costs and certain site related engineering and development costs. Under the program, the Company can receive reimbursement of amounts paid or offset taxes payable to the Peruvian Government on the corresponding amount of IGV paid on services and goods purchased during the course of the exploration and development program. During the fourth quarter of 2008, the Company received

\$250,000 under this program and at year end has a receivable of approximately \$120,000 (December 31, 2007 - \$115,000) related to this program. It is expected that this receivable will be collected during the first half of 2009.

Zincore is exposed to foreign exchange risks as it holds the majority of its cash balances in Canadian dollars and incurs expenses principally in Canadian dollars, US dollars, and Peruvian soles. A weakening of the Canadian dollar relative to these currencies would result in higher reported exploration and development expenses.

OFF-BALANCE SHEET TRANSACTIONS

The Company does not utilize off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

Zincore has entered into a Services Agreement with Southwestern whereby Southwestern agreed to provide the Company with accounting, corporate secretarial and other services in Canada. Exploraciones Collasuyo SAC ("Collasuyo") Zincore's indirect wholly owned subsidiary entered into an Outsourcing Operating Assistance Services Agreement with Southwestern's indirect wholly owned subsidiary Minera del Suroeste SAC ("MISOSA"), whereby MISOSA agreed to provide Collasuyo with office space, use of MISOSA's facilities and secretarial and accounting services in Peru. During 2008, the Company paid a total of \$188,307 to Southwestern and MISOSA under these service agreements. In 2007 Zincore paid \$249,498 under these service agreements.

During 2008, Zincore paid \$164,900 for management services under an agreement with a company controlled by a director who is also an officer of the Company. During 2007 Zincore paid \$145,000 under this agreement.

FOURTH QUARTER

As discussed in the third quarter report, Zincore continued to reduce its corporate and exploration spending levels through the fourth quarter. By the end of the year active exploration had largely ceased with the Accha camp being maintained for future use. All community commitments were fulfilled and limited employment of community members continues.

Prospecting and sampling work continued on the Piren property in Chile and discovery of an expanded anomalous gold zone was announced in January 2009⁴.

Zincore recorded an impairment charge of \$1,006,775 relating to deferred mineral property costs on its Minasccasa property and certain properties in Chile and Peru. The impairment of Minasccasa was due to the lack of exploration activity over the preceding three years due to not obtaining community access agreements. Certain properties in Chile and Peru were impaired due to the uncertainty of future exploration activities.

PROPOSED TRANSACTIONS

As is typical of the mineral exploration and development industry, Zincore is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Zincore's financial instruments consist of cash and cash equivalents, advances and other receivables, accounts payable, accrued liabilities and due to affiliated companies. The Company has designated its cash and cash equivalents as held-for-trading, 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 and accrued charges are classified as other liabilities, which are measured at amortized cost.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

⁴ For full details see press release dated January 15, 2009 available on Zincore's website at www.zincoremals.com or on SEDAR

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Zincore's Consolidated Financial Statements have been prepared on a going-concern basis. The Company has incurred losses since inception, and the ability of the Company to continue as a going concern depends on its ability to raise adequate financing and, in the longer term, to develop profitable operations. There is no certainty that the Company will be able to raise funds sufficient to support its business plans and current market conditions and valuations are not favourable for raising significant equity capital.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates where management's judgment is applied include asset valuations, income taxes, stock-based compensation and contingent liabilities. Actual results may differ from those estimates.

Mineral properties and related exploration and development costs are recorded at cost on a property-by-property basis. Costs incurred for general exploration that are not project specific or do not result in the acquisition of mineral properties and preliminary exploration to assess mineral properties are expensed as incurred. Management periodically reviews the underlying value of mineral properties. If impairment is determined to exist, the mineral property will be written down to its net realizable value. The recoverability of the amounts capitalized for mineral properties is dependent upon the delineation of economically recoverable mineral reserves and the Company's ability to obtain the necessary financing to complete development and realize profitable production or proceeds from the disposition thereof. It is reasonably possible that changes could occur that would adversely affect management's estimates and, therefore, result in future write-downs of capitalized mineral property amounts. The amounts shown for mineral properties and deferred development expenditures represent costs incurred to date less write-downs, if any, and are not intended to reflect present or future values.

Compensation expense for stock options granted is determined based on the estimated fair value of the stock options at the time of grant, the cost of which is recognized over the vesting periods of the respective stock options. The fair value of all stock-based awards is estimated using the Black-Scholes model.

The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate. The Company relies on market and historical information as the basis for these assumptions.

The Company's functional currency is the Canadian dollar. The Company's foreign subsidiaries are considered to be integrated operations. Accordingly, the Company utilizes the temporal method to translate the financial statements of these subsidiaries into Canadian dollars. All foreign currencies are translated into Canadian dollars using weighted average rates for the period for items included in the consolidated statements of loss, comprehensive loss and deficit, the rate in effect at the balance sheet date for monetary assets and liabilities, and historical rates for other assets included in the consolidated balance sheets. Translation gains or losses are included in the determination of income.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Effective as at January 1, 2008, the Company adopted the following presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants: revised Handbook Section 1400, General Standards of Financial Statement Presentation ("Section 1400"), Handbook Section 1535, Capital Disclosures ("Section 1535"), Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862") and Handbook Section 3863, Financial Instruments – Presentation ("Section 3863").

Section 1400 now requires management to make an assessment as to the Company's ability to continue as a going concern. In making this assessment management takes into account all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. Disclosure is required of any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements and carrying forward unchanged its presentation requirements for financial instruments.

Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

FUTURE CHANGES IN ACCOUNTING POLICIES

In February 2008, the CICA issued a new Handbook Section 3064 - Goodwill and Intangible Assets ("Section 3064"), which replaces CICA Handbook Sections 3062 - Goodwill and Other Intangible Assets ("Section 3062") and 3450 - Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill are unchanged from the standards included in Section 3062. The new Section is applicable to the Company's financial statements for its fiscal year beginning January 1, 2009. The adoption of this section in 2009 will not have a material impact to the Company's consolidated financial statements.

In January 2009, the CICA issued Handbook Sections 1582 - Business Combinations ("Section 1582"), 1601 - Consolidated Financial Statements ("Section 1601") and 1602 - Non-controlling Interests ("Section 1602") which replaces CICA Handbook Sections 1581 - Business Combinations and 1600 - Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time.

SHARE CAPITAL INFORMATION

As at the date of this MD&A, Zincore has an unlimited number of common shares authorized for issuance, with 79.1 million common shares issued and outstanding. Of these, 38.1 million or 48.2% are owned by Southwestern.

As at the date of this MD&A, Zincore has 4,795,332 options outstanding with an average exercise price of \$0.50 per option, of which 4,427,326 have vested and are available for exercise at an average price of \$0.52 per option.

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

RISKS AND UNCERTAINTIES

LIMITED LIQUIDITY, ADDITIONAL FINANCING AND UNCERTAINTY OF SUCH FINANCING

The Company's liquid assets, principally cash, have decreased substantially during the past fiscal year. The Company has taken significant steps to reduce its spending to preserve liquidity. However, the Company requires additional financing to conduct exploration programs on its properties and fund corporate costs. There is no assurance that the Company, considering the current economic conditions, will be successful in obtaining the required financing either through issuance of common shares, divestment of properties or partnerships. A lack of financing would cause the Company to further postpone its exploration plans, reduce its technical staff, may necessitate reducing mineral concessions and/or will cause going concern issues for the Company.

DILUTION

Issuances of additional securities at or near the current share price of the Company would result in significant dilution of the equity interests of any persons who are holders of common shares.

MARKET CONDITION AND LIQUIDITY CRISIS

The global liquidity crisis has resulted in extreme volatility in the equity and metal markets and has generally negatively impacted common share prices of base metal junior exploration companies including that of Zincore. Current market conditions and the valuation of Zincore and other junior mineral development companies make the present environment for raising additional financing unfavourable.

SOUTHWESTERN RESOURCES CORP. AS A MAJOR SHAREHOLDER

MANAGEMENTS'S DISCUSSION AND ANALYSIS

Southwestern owns 48.2% of Zincore's common shares. Any action by Southwestern to acquire, divest, or alter its stake in common shares of Zincore may affect the share price of Zincore and/or its ability to raise financing.

SHARE PRICE SUBJECT TO VOLATILITY

The market price of the securities of a publicly traded issuer, in particular a junior resource issuer, is affected by many variables not directly related to exploration success, including the market for junior resource securities, economic performance, market liquidity, commodity prices, availability of alternative investments and the breadth of the public market for the securities. The recent effect of these and other factors on the market price of Zincore's common shares during the ongoing global liquidity crisis suggest that Zincore's share price will continue to be subject to volatility.

METAL PRICES SUBJECT TO VOLATILITY

Zincore's mineral resources are zinc and lead. Zinc and lead are traded on exchanges and their prices have been volatile and are affected by, among other things, forecast global economic conditions, and current supply and demand. While Zincore does not currently produce or sell any metals, the value of its mineral resources and its projects are impacted by current and future expected prices of zinc and lead.

NO HISTORY OF EARNINGS

To date, the Company has had no revenue from the exploration activities on its properties. The Company has not yet determined that development activity is warranted on any of its properties. Even if the Company does undertake development activity on any of its properties, there is no certainty that the Company will produce revenue, operate profitably or provide a return on investment in the future.

MINERAL EXPLORATION AND DEVELOPMENT ACTIVITIES ARE INHERENTLY RISKY

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. At present, the Company has not yet determined that development activity is warranted on any of its properties. Unusual or unexpected formations, formation pressures, power outages, labour disruptions, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. These factors can all affect the timing, cost and success of exploration programs and any future development. Although the Company carries liability insurance with respect to its mineral exploration operations, the Company may become subject to liability for damage to life and property, environmental damage, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. There are also physical risks to the exploration personnel working in the rugged terrain of Peru, often in difficult climate conditions.

Previous operations may have caused environmental damage at certain of the Company's properties. It may be difficult or impossible to assess the extent to which such damage was caused by the Company or by the activities of previous operators, in which case, any indemnities and exemptions from liability may be ineffective, and the Company may be responsible for the costs of reclamation.

If any of the Company's properties move to a development stage, the Company would be subject to additional risks respecting any development and production activities.

UNCERTAINTY OF ACQUIRING REQUIRED PERMITS OR COMMUNITY ACCESS AGREEMENTS

The Company must obtain additional permits to complete its planned exploration and development program. Prior to applying for permits, access agreements with local communities are required in certain jurisdictions including Peru. There is no assurance that the Company will be able to obtain the permits or access agreements or obtain them in a timely manner.

UNCERTAINTY OF QUANTIFICATION / ESTIMATION OF MINERAL RESOURCE & MINERAL RESERVES

The figures for mineral resources for the Accha and Yanque deposits and for mineral reserves for the Accha deposit are estimates and no assurance can be given that the stated tonnages and grades will be achieved.

DEPENDENCE ON MANAGEMENT

The Company will be dependent upon the personal efforts and commitment of its management, which is responsible for the development of future business. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

DIRECTORS MAY HAVE POTENTIAL CONFLICTS OF INTEREST

Certain of the Company's directors and officers may serve as directors and/or officers of other public and private companies and devote a portion of their time to manage other business interests. This may result in certain conflicts of interest, to the extent that such other companies may participate in ventures in which the Company is also participating. The laws of British Columbia require the directors and officers to act honestly, in good faith, and in the best interests of the Company. In addition, each director must declare his or her interest and abstain from voting on any contract or transaction in which the director may have a conflict of interest.

POLITICAL INVESTMENT RISK; POLITICAL INSTABILITY IN DEVELOPING COUNTRIES

The Company's mineral interests are in countries that may be affected by varying degrees of political instability and the policies of other nations in respect of these countries. These risks and uncertainties include military repression, political and labour unrest, fluctuations in currency exchange rates, rates of inflation, terrorism, hostage taking and expropriation.

The Company's exploration and development activities may be affected by changes in government, political instability and the nature of various government regulations relating to the mining industry. The Company cannot predict the government's positions on foreign investment, mining concessions, land tenure, environmental regulation or taxation. A change in government positions on these issues could adversely affect the Company's business and/or its holdings, assets and operations in Peru, Chile or Mexico. Any changes in regulations or shifts in political conditions are beyond the control of the Company. The Company's operations in Peru, Chile and Mexico entail governmental, economic, social, medical and other risk factors common to all developing countries. See "Economic Uncertainty in Developing Countries". The status of Peru and to an extent Mexico and Chile as developing countries may make it more difficult for the Company to obtain any required financing because of the associated investment risks.

ECONOMIC UNCERTAINTY IN DEVELOPING COUNTRIES

The Company's operations in Peru and to an extent Mexico and Chile may be adversely affected by economic uncertainty characteristic of developing countries. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and safety factors. Any such changes could have a material adverse effect on the Company's results of operations and financial condition.

Exploration and development in Peru, Mexico and Chile are also subject to risk. These countries have been favourable to the mining industry and have been relatively stable over the past 10 years, but there is a risk that this could change. In addition, there are risks that labour unrest or wage agreements may impact operations. The Company believes that the current conditions in Peru, Chile and Mexico are relatively stable and conducive to conducting business, however, its current and future mineral exploration activities could be impacted by political and/or economic developments.

RISKS RELATING TO STATUTORY AND REGULATORY COMPLIANCE

The current and future operations of the Company, from exploration through development activities and commercial production, if any, are and will be governed by laws and regulations governing mineral concession acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities and in the development and operation of mines and related facilities may experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Permits are subject to the discretion of government authorities and there can be no assurance that the Company will be successful in obtaining all required permits. Further, there can be no assurance that all permits which the Company may require for future exploration, construction of mining facilities and conduct of mining operations, if any, will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project which the Company may undertake.

Failure to comply with applicable laws, regulations and permits may result in enforcement actions there under, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. The Company is not currently covered by any form of environmental liability insurance. See "Insurance Risk", below.

Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in exploration.

CURRENT MINERAL EXPLORATION CONDITIONS

The current infrastructure in Peru, Chile and Mexico is adequate to support the Company's current activities at its properties, however, if advanced exploration and/or development are undertaken at its properties, infrastructure will require augmentation.

TITLE RISKS

The acquisition of title to resource properties or interests therein is a detailed process. Title to the area of resource concessions may be disputed. Based on a review of records maintained by the relevant government agencies in Peru, Mexico and Chile, and, based upon legal opinions prepared for the Company, its properties are registered in the name of the Company, are under application to the applicable government authority or are held on behalf of the Company pursuant to a legal agreement. There is no guarantee of title to any of the Company's properties. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Title may be based upon interpretation of a country's laws, which laws may be ambiguous, inconsistently applied and subject to reinterpretation or change. The Company has not surveyed the boundaries of any of its mineral properties and consequently the boundaries of the properties may be disputed.

FLUCTUATION OF MINERAL PRICES

Factors beyond the control of the Company may affect the market price of minerals produced and the marketability of any ore or minerals discovered at and extracted from the Company's properties. Resource prices have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control including international economic and political trends, inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new and improved extraction and production methods. The effect of these factors cannot accurately be predicted.

FOREIGN CURRENCY FLUCTUATIONS

The Company's exploration activities in Peru, Chile and Mexico will render it subject to foreign currency fluctuations. While the Company expects to minimize the risks associated with foreign currency fluctuations by holding its cash and short-term investments in U.S. and Canadian dollars rather than the local currencies, to the extent that its operations in those countries are carried out using the local currency, any appreciation of such local currency relative to the U.S. and Canadian dollar could have an adverse impact on the financial position of the Company. Since the Company's financial results will be reported in Canadian dollars, its financial position and results will be impacted by exchange rate fluctuations between the Canadian and U.S. dollars.

REPATRIATION OF EARNINGS

Peru, Chile and Mexico have no limitation on profit or capital remittances to foreign shareholders provided that all applicable income and, in certain cases, withholding taxes have been paid. However, there can be no assurance that additional restrictions on the repatriation of earnings will not be imposed in the future.

INSURANCE RISK

No assurance can be given that insurance to cover the risks to which the Company's activities are subject will be available at all or at commercially reasonable premiums. The Company maintains insurance within ranges of coverage which it believes to be consistent with industry practice for companies of a similar stage of development. The Company carries liability insurance with respect to its mineral exploration operations, but does not currently intend to carry any form of political risk insurance or any form of environmental liability insurance, since insurance against political risks and environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is prohibitively expensive. The payment of any such liabilities would reduce the funds available to the Company. If the Company is unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into costly interim compliance measures pending completion of a permanent remedy.

COMPETITION

Significant and increasing competition exists for mineral deposits in each of the jurisdictions in which the Company conducts operations. As a result of this competition, much of which is with large established mining companies with substantially greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mining claims or financing on terms it considers acceptable. The Company also competes with other mining companies in the recruitment and retention of qualified employees.

LEGAL PROCEEDINGS

Since substantially all of the Company's assets are located outside of Canada, there may be difficulties in enforcing in Canadian courts any judgments obtained by the Company in foreign jurisdictions. Similarly, to the extent that the Company's assets are located outside of Canada, investors may have difficulty collecting from the Company on any judgments obtained in Canadian courts and predicated on the civil liability provisions of securities legislation. The Company may be subject to legal proceedings and judgments in foreign jurisdictions.

DIVIDENDS UNLIKELY

The Company has not paid any dividends since the date of its incorporation, and it is not anticipated that dividends will be declared in the short or medium term.

OUTLOOK

Due to market conditions for financing and its current liquidity position, Zincore has reduced its planned exploration expenditures and has instituted cost cutting measures in Peru and Canada. The Company is actively seeking partners and evaluating options to improve its liquidity position and strengthen the Company.

Corporate costs have been reduced through staff reductions, consolidation of office space and reduced overheads. In Peru, the Lima office staff has been reduced and most administrative functions will be handled under an agreement with MISOSA by the end of the first quarter.

At Accha-Yanque, the Accha exploration camp is being maintained with minimal staff. No active exploration is ongoing, but the camp and community agreements are being maintained to allow exploration to be resumed quickly.

A test work program has been initiated on Yanque ore evaluating the effectiveness of ammonia based solutions to selectively leach the base metals from run of mine ore within a heap or tank leach environment. Should this prove successful, pre-concentration of ore may not be required prior to leaching.

Zincore continues to pursue a community agreement for the Minascassa project. Further meetings with community leaders occurred in February and progress continues to be made. Should an agreement be reached, Zincore would immediately commence a surface exploration program.

Depending on financing, the Company will determine the extent of concessions that it will continue to hold in Peru. Maintaining all properties would require approximately US\$178,000 in payments and maintaining the key Accha-Yanque and Minascassa concessions would require approximately US\$58,000 in payments.

In Chile and Mexico, the staking of properties has been completed and initial work on the Piren property completed. Further prospecting and follow-up work on these properties has been put on hold pending further financing. The Company intends to maintain its Piren concessions in Chile and all of its Mexican properties. US\$16,300 has been budgeted to cover these property costs.

During 2009 the Company expects to spend approximately \$625,000 on corporate and administrative costs. In addition it expects to spend approximately \$250,000 maintaining its subsidiary operations. Excluding property fees and holding costs and assuming no additional financing, the Company expects to spend approximately \$145,000 on exploration and development activities.

Zincore has evaluated its cash resources based on this planned scope of exploration and development activities and corporate spending and, based on these assumptions, the Company has sufficient cash resources to fund its activities through 2009.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

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

MANAGEMENTS'S DISCUSSION AND ANALYSIS

The Company has assessed its capabilities to manage the transition of its financial reporting to IFRS. This assessment is based upon continued accounting services being contracted with Southwestern. The Company believes the skills and resources exist within the Company and its accounting team to manage the transition to IFRS with limited external assistance.

The Company has drafted an IFRS changeover plan covering financial statement preparation, education, IT infrastructure and internal control environment. Initial activities have commenced in each of these areas.

The Company has assessed the impacts of the adoption of IFRS on its financial statements. Based on this assessment, including the accounting policy choices available under IFRS and considering the current operations on Zincore, the conversion is expected to have limited impact on the substance of the financial statements. Certain presentation differences will be noted. During 2009 work will include selection of IFRS policies, and further assessment of first-time adoption elections under IFRS 1. Of note to Zincore is the determination of its functional currency under IFRS.

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

As a result of the limited impact on the substance of the financial statements, the conversion of IFRS is expected to have limited impact on the control environment of the Company.

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

DISCLOSURE CONTROLS AND PROCEDURES

As required by Multilateral Instrument 52-109, management is responsible for the design, establishment and maintenance of disclosure controls and procedures over the public disclosure of financial and non-financial information regarding the Company, and internal control over financial reporting to provide reasonable assurance regarding the integrity of the Company's financial information and reliability of its financial reporting. Management maintains appropriate information systems, procedures and controls to ensure integrity of the financial statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. The Company has a Disclosure and Stock Trading Policy and a Disclosure Committee in place to mitigate risks associated with the disclosure of inaccurate or incomplete information.

The Company's management, with the participation and under the supervision of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), have designed the disclosure controls and procedures to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them on a timely basis; and designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting.

The Company's management believes that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Due to the inherent limitations in all controls systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

The Company has maintained accounting personnel in Peru, contracts with third parties in Chile and Mexico and contracts with Southwestern for accounting services in Vancouver. In the fourth quarter Southwestern reduced its accounting department and therefore certain internal control over financial reporting procedures had to be adjusted. Management believes appropriate segregation of duties within the finance department have been maintained. However, where segregation of duty deficiencies exist, the Company relies on certain compensating and detection controls, including dual signatories on all cash disbursements, review and approvals of all bank reconciliations by persons other than the preparer, and quarterly and annual review of financial statements, and other information by the Audit Committee.

An evaluation of the effectiveness of the Company's disclosure controls and procedures was conducted as of December 31, 2008. Based upon the results of that evaluation, the Company's CEO and CFO have concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective in providing reasonable assurance that the material information relating to the Company was made known to them on a timely basis and was processed and disclosed within the appropriate reports and time periods. The Company's management, with the assistance of an independent consulting company, also evaluated the effectiveness of the Company's internal controls over financial reporting and concluded that as at December 31, 2008 such controls were effective.