ZINCORE METALS INC.

For the Year Ended
December 31, 2016 and 2015

# Management's Discussion and Analysis

# CONTENTS

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

For the Year Ended December 31, 2016 and 2015
All figures in Canadian dollars unless otherwise noted

## GENERAL

The following Management's Discussion and Analysis ("MD&A") of Zincore Metals Inc. and its subsidiaries ("Zincore" or the "Company"), for the year ended December 31, 2016 and 2015 is prepared as of April 19, 2017 and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2016 and 2015 which were prepared in accordance with International Financial Standards ("IFRS") as issued by the International Accounting Standards Board. All of these statements are available on the Company's website at www.zincoremetals.com or on the SEDAR website at www.sedar.com. Additional information relating to the Company is also available on SEDAR at www.sedar.com.

All financial information in this MD&A is presented in Canadian dollars unless otherwise noted.

**All common shares, share purchase warrants, share purchase options are all presented on post consolidated basis due to stock consolidation on July 22, 2016 (see page 4 for details).**

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 5626 Larch Street, Suite 202, Vancouver, BC, Canada V6M 4E1. On March 20, 2015, the Company announced that it had applied for voluntary delisting of its shares from the TSX and concurrently applied for a listing on the NEX, a separate board of the TSX-V. At market close on March 30, 2015, the Company's shares ceased to trade on the TSX and commenced trading on the NEX at market open on March 31, 2015 under the symbol "ZNC.H". Given that the Company's listing on the BVL was conditional in part on a TSX or TSX-V listing, the Company's shares ceased to trade on the BVL during the first quarter of 2015. Zincore shares are not differentiated based on the exchange they are bought or sold on. Accordingly, shareholders who purchased shares on the BVL are still able to complete transactions on the NEX, subject to the capabilities of their broker/dealer. On July 26, 2016, the Company's shares commenced trading on the NEX, a separate board of TSX Venture Exchange, on a consolidated basis at the open of the market. The Company's name and trading symbol (ZNC.H) remain the same.

The Company's business is the exploration and development of mineral properties and does not have any source of revenue or operating assets. The recoverability of the amounts shown for mineral properties is dependent upon the ability of the Company to obtain necessary financing to complete exploration, technical studies and, if warranted, development and future profitable production or proceeds from the disposition of properties. The amounts shown as mineral properties represent costs to date and do not necessarily represent present or future values. Given the current negative market circumstances, the Company is not currently engaged in the exploration or development of its properties and projects, other than seeking financing, joint venture partnership or disposition, as warranted.

## OUTLOOK

Given weak markets for junior resource companies over the past five years, the Company has had difficulty obtaining financing. Accordingly, there are no current exploration plans for the Company's flagship Accha Zinc Oxide District ("AZOD") project. However, beginning in early 2016, markets for junior resource companies and metals prices began to improve. In particular, the price of zinc has been particularly strong, rising from about US$0.70/lb at the beginning of 2016 to above US$1.15 currently. With greater interest in junior resource companies and zinc-related companies in particular, the Company's prospects for financing are improving and the Company continues to explore options to advance this project in order to maximize shareholder value, including but not limited to development, joint venture, or sale. Annual claims maintenance fees and related penalties for the claims, which now make up the AZOD project and cover 3,600 hectares, were due and paid in June 2016. The next scheduled claims payments are due at the end of June 2017.

Given Zincore's financial circumstances, the Company did not make the annual payments for property claims maintenance fees and related penalties for the rest of its wholly-owned properties as due in June 2016. Accordingly, the Company no longer holds the rights to any properties other than the 3,600 hectares, which comprise the AZOD (zinc-lead) project and as described above and the Dolores project as described below.

After this fiscal year end, on February 16, 2017, the Company announced that it had reached an agreement with First Quantum Minerals Ltd to terminate the Dolores copper porphyry project joint-venture. Under the term of the agreement, the Company will regain 100% ownership of the 4,500 hectares which comprise the Dolores Project, in Southern Peru. As consideration for the US$8 million investment made by First Quantum in the Dolores Project and related areas, and in full repayment of the US$2 million convertible loan between the two companies, the Company will grant First Quantum a 3.5% a Net Smelter Returns Royalty on any future production that may occur at the Dolores Project. The next scheduled claims payments for the properties which make up the Dolores project are due in June 2017.

There can be no assurances that the Company will be able to raise sufficient funds to meet its future property claims and related fee payments.

## DESCRIPTION OF BUSINESS

Zincore is an exploration stage mining company engaged in the identification, acquisition, evaluation, exploration and development of zinc and base metal properties in Peru. Its primary objective is to define economically feasible projects through focused exploration and to develop, joint venture, or sell properties of economic merit. Zincore's properties are in the exploration stage and are thus non-producing and consequently do not generate revenue or cash flow from operations. The Company is dependent on additional equity, debt capital or proceeds from divestitures to finance its activities.

Zincore's main activities are related to defining a strategy to advance its AZOD project in Peru.

## OVERALL PERFORMANCE AND CURRENT ECONOMIC CONDITIONS

The Company's focus during fiscal 2016 continued to be searching for financing, cost reduction and settling its outstanding payment obligations. As part of the reductions, the Company dropped all previously wholly-owned mineral claims, including the Copper Target Areas, Larisa and Alcatraz, and Minascassa. Zincore's remaining wholly-owned property claims are the 3,600 hectares which comprise the AZOD zinc-lead project and the 4,500 hectares which make up the Dolores project as detailed below.

Exploration expenditures for the AZOD project continue to be put on hold until a sufficient financing can be completed. The Company continues to believe that this project has become more attractive given the recently more favourable markets for zinc prices and junior exploration companies. The Company continues to work towards maintaining the essential project claims in good standing and continues to towards securing funding, or finding a partner or buyer, for the project. However, there can be no assurances that the Company will be successful in this endeavour.

At the Dolores project, assay results from the latest holes drilled in 2014 were released on April 21, 2015 and continued to show anomalous grades of copper and molybdenum. As described below, the Company recently concluded an agreement with First Quantum, to regain the 50.1% of the project owned by First Quantum.

On May 3, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. $11,400. The loan, which matures in 24 months, carries an interest rate of 12% compounded annually. The loan principal and applicable accrued interest is to be repaid at maturity, with any early repayment at the option of the Company.

On June 21, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of Peruvian Sol $35,000. The Loan, which matures in 24 months, carries an interest rate of 12% compounded annually. The loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.

On July 4, 2016, the Company closed the initial tranche of a private placement for gross proceeds of $110,368 at a price of $0.05 per unit on a post-consolidation basis.. The total of 2,207,350 units have been issued. Each unit consists one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire an additional common share at a price of $0.05 per common share on a post consolidation basis for a period of six months from closing date (expiry date in January 4, 2017).

On July 8, 2016, the Company closed the final tranche of a private placement for gross proceeds of $38,913 at a price of $0.05 per unit on a post-consolidation basis. The total of 778,261 units have been issued. Each unit consists one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire an additional common share at a price of $0.05 per common share on a post consolidation basis for a period of six months from closing date (expiry date: January 8, 2017).

On July 22, 2016, the Company received the approval of TSX Venture Exchange for the consolidation of its issued and outstanding common shares on the basis of one new common share for every five common shares currently issued and outstanding. The Company's shares commenced trading on the NEX, a separate board of the TSX Venture Exchange, on a consolidated basis at the open of market on Tuesday, July 26, 2016. On a post-consolidation basis, there are approximately 11,839,385 common shares issued and outstanding. The Company's name and trading symbol (ZNC.H) remain the same.

On September 28, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. $700. The Benavides Loans, which mature in 24 months on September 28, 2018, carry interest rates of 12% compounded annually. The Loan principal and applicable accrued interest to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of Benavides Loan are to be used for some outstanding payables and general working capital.

On October 13, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. $1,000. The Benavides Loans, which mature in 24 months on October 13, 2018, carry interest rates of 12% compounded annually. The Loan principal and applicable accrued interest to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of Benavides Loan are to be used for some outstanding payables and general working capital.

On October 13, 2016, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. $6,000. The Benavides Loans, which mature in 24 months on October 13, 2018, carry interest rates of 12% compounded annually. The Loan principal and applicable accrued interest to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of Benavides Loan are to be used for some outstanding payables and general working capital.

On November 30, 2016, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. $15,000. The Benavides Loans, which mature in 24 months on November 30, 2018, carry interest rates of 12% compounded annually. The Loan principal and applicable accrued interest to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of Benavides Loan are to be used for some outstanding payables and general working capital.

On December 16, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. $2,250. The Benavides Loans, which mature in 24 months on December 16, 2018, carry interest rates of 12% compounded annually. The Loan principal and applicable accrued interest to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of Benavides Loan are to be used for some outstanding payables and general working capital.

Subsequent to this fiscal year end, on February 9, 2017, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. $6,700. The Benavides Loans, which mature in 24 months on February 9, 2019, carry interest rates of 12% compounded annually. The Loan principal and applicable accrued interest to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of Benavides Loan are to be used for some outstanding payables and general working capital.

As at December 31, 2016, the Company had negative working capital, comprised of current assets less current liabilities, totaling $1,281,625 (December 31, 2015 - $692,807). The Company continues to explore ways to raise new funds while continuing to minimize cash outflows and seeking ways to settle its outstanding payables.

## PROPERTY REVIEW

**Accha Zinc Oxide District ("AZOD") Project**

On August 6, 2013, the Company announced that it had received a positive pre-feasibility report ("PFS") for the Company's flagship, the 100%-owned Accha Zinc Oxide District ("AZOD") project. The AZOD project is located at approximately 70 kilometres south of Cusco, in the mining-prolific Yauri-Andahuaylas Copper District of southern Peru. The AZOD project now comprises four claims covering 3,600 hectares and includes deposits at two District locations, Accha and Yanque. The technical report prepared in accordance with National Instrument 43-101 outlining two potential production scenarios for the zinc-lead project was completed and filed on SEDAR on August 26, 2013. For further details and to view the full 43-101 technical report, please visit www.sedar.com.

### Dolores

In 2008 the Company discovered a copper-molybdenum porphyry target on the AZOD, about 2 kilometers east of Yanque, called Dolores. A large target area was identified and sampling and assaying were confined to a road cut that exposed the underlying mineralization and returned encouraging high-grade values.

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

In order to determine the case for and plan what became a 10-hole a drill program, VDG del Peru SAC of Lima was contracted to carry out a deep reconnaissance IP survey over 22 square kilometres with 500 metre line-spacing (48 line kilometres). Magnetic and Gamma Spectrometry were also completed within the same target area at 250 metre line spacing (92 line kilometres).The survey was completed late in 2010 and results confirmed the presence of large chargeability and magnetic anomalies that are consistent with porphyry style mineralization. Drilling started in early 2011 following the approval of the first stage drill permit and results from the first two holes were released on March 3, 2011. The results from the second hole indicated consistent and evenly distributed copper and molybdenum mineralization throughout the length of the hole, including 0.27% copper equivalent over 297 metres. The mineralization was encountered just below the surface (at about 18 metres) and extended to 315 metres with no zero grade intervals. No significant values were intercepted for the first drill hole, which is located almost two kilometres from the second one and which intersected what is believed to be a younger, unmineralized intrusive within the Dolores system. Results of the last eight holes drilled were released in early October 2011. Highlights include: 0.32% copper equivalent over 144.4 metres, including 0.49% copper equivalent over 72.4 metres in hole DOL- 9; 0.29% copper equivalent over 116 metres in hole DOL-10; and 0.20% copper equivalent over 33.7 metres in hole DOL-7. Copper equivalent totals were calculated at the time using TD Newcrest long term prices of US$2.25/lb copper and US$15/lb molybdenum with metallurgical recoveries and net smelter returns assumed to be 100%. Holes DOL-2, 7, 9, and 10 all intersected moderate potassic alteration in the mineralized diorite porphyry along with moderate to strong quartz veining over significant widths. In addition, holes DOL- 6, 7 and 8 intersected wide sections of garnet skarn with anomalous to sub-economic copper values over 4 to 8 metre intervals.

Company geologists extended the geological mapping and sampling southward in order to better understand the vectors controlling the emplacement of the copper-molybdenum mineralization. This work confirmed that the altered and mineralized porphyry extends to the south for at least another 1.5 kilometres and possibly further. Trenching south of the drilled area in 2011 returned 52.0 metres of 0.76% copper equivalent from continuous channel samples. This trench ("Trench One") is located in an undrilled area 450 metres south of hole DOL-10 and 1 kilometre west of hole DOL-9 respectively, two of the most highly prospective holes drilled on the Dolores property to date. The copper and molybdenum mineralization is hosted within the same altered quartz diorite porphyry cut in the drill holes. Continuous 1.0 metre chip samples across the trend of the mineralized trench have returned: 52 metres of 0.67% copper, 165 ppm molybdenum as well as anomalous gold and silver values. In May 2012, the Company announced results from sampling in a second trench ("Trench Two") which included 0.61% copper equivalent over 11 metres. Trench Two is located approximately 500 metres and one kilometre from holes DOL – 9 and DOL – 10, respectively. The copper and molybdenum mineralization encountered in Trench Two consists of primary sulphides and is hosted within the same altered quartz diorite porphyry encountered in Trench One and the holes drilled to date. The Company also discovered high grade copper mineralization during surface exploration work on the Dolores project. The latest surface sample results, from three separate areas, reported in May 2012, include evidence of a new skarn area with samples of up to 3.35% and 3.11% copper. All three areas are located between 1.5 to 2.0 kilometres south of holes DOL – 9 and DOL – 10. The Company worked to extend the geological mapping and sampling south of the drilled area and the results to date confirm that the altered and mineralized porphyry extends to the south from one to two kilometres and possibly further.

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

- First and Second Earn-Ins: First Quantum 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 vested when First Quantum provided written notice (the "Vesting Notice") within 60 days of the first anniversary of the Formal Agreement Date and committed 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. Since then an additional US $5.0 million has been invested and First Quantum has earned a 50.1% interest in Polymex.
- 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 would have a 20% interest in Polymex which it could elect to convert to a 3% Net Smelter Return Royalty.

During the fourth quarter of 2013, First Quantum notified the Company of its intention to vest its first earn for a 30% interest in Polymex Resources Ltd, ("Polymex") which indirectly owns the Dolores Project. During 2014 First Quantum also completed its second earn-in obligations and earned a 50.1% interest in Polymex. In June 2012, the Company secured a contract with surface rights holders south of the up-to-date explored Dolores area, allowing the extension of mapping, sampling and geophysics into this area. In August 2012, field work commenced with a structural survey focused on recognizing the most important mineralized features of the project and three mineralized corridors have been identified. Systematic sampling was extended (geochemical grid) south and west in the project, as well a tighter sampling was achieved to the north and east. The results show consistent anomalous values of copper and molybdenum in the east and northeast zone of the project as well as extensions of a large anomaly to the south and west. The geological mapping work has revealed a mineralized quartz-monzonite porphyritic body located 500 metres to the south of DOL-10.

In November 2012, the Company released assay results from hole Dol-11 which is the first hole drilled on Dolores under the terms of the MOU. Highlights included 0.27% copper equivalent over 35.7 metres and 0.19% copper equivalents over 125.6 metres. On January 8, 2013, results from holes Dol-12 and Dol-13 were released and highlights from those results include 0.17% copper equivalents over 584.7 metres in hole Dol-12, including 0.26% copper equivalent over 143 metres, 0.35% copper equivalent over 36.4 metres, 0.40% copper equivalent over 10 metres, and 0.31% copper equivalent over 45.8 metres. Copper equivalent totals were calculated at the time using TD Securities long term prices of US$2.75/lb copper and US$15.00/lb molybdenum and do not include any potential gold or silver credits. Metallurgical recoveries and net smelter returns are assumed to be 100%. Results in Hole Dol-13 did not return high copper values, however, the hole was intended to be a deep exploratory probe and did meet its goal of intersecting at depth what had been interpreted as mineralized quartz diorite porphyry dikes and quartz chalcopyrite veinletes at the contact between the barren tonalite porphyry and quartzites. Hole Dol-13 is located 2.7 kilometres north of Dol-12, where copper and molybdenum mineralization was found in the same quartz diorite porphyry but in higher grades. Copper equivalent totals were calculated holes at the time for holes DOL-11 to DOL-13 using TD Securities long term prices of US$2.75/lb copper and US$15.00/lb molybdenum and do not include any potential gold or silver credits. Metallurgical recoveries and net smelter returns are assumed to be 100%. On March 21, 2013, the Company announced results from holes Dol-14 to Dol-17 which were the final holes of the first drill program under the joint venture with First Quantum. Highlights from the results include: 72.35 metres of 0.26% copper equivalent, including 21.3 metres of 0.44% copper equivalent in Hole DOL-17 and 298.6 metres of 0.16% copper equivalent, including 20.0 metres of 0.40% copper equivalent in Hole DOL-15. Copper equivalent totals were calculated for at the time for holes DOL-14 to DOL-17 using TD Securities long term prices of US$3.00/lb copper and US$12.00/lb molybdenum and do not include any potential gold or silver credits. Metallurgical recoveries and net smelter returns are assumed to be 100%. On April 21, 2015 Zincore reported assay results from the last four hole drill program at Dolores. The program comprised of 1,599.8 metres and the results continued to show anomalous grades of copper and molybdenum. For further information on holes DOL-18 to DOL-21, please see our news release dated April 21, 2015.

The results to date confirm the existence of a very large porphyry system at Dolores encompassing at least 3.5 kilometres north to south and 1.5 kilometres east to west. Within this area six different phases of porphyry intrusion have been intersected; one is pre-mineralization, three are mineralized and two are post-mineralization. The multiphase nature of porphyry intrusion and the widespread occurrence of copper-molybdenum mineralization within this large area attest to the mineral endowment of the system. The drill and trench results gathered to date, combined with extensive aerial and ground geophysical work, provide the Company with an important body of information that can be re-interpreted by the project's technical committee in order to plan the next phase of work on this project. It is the Company's intention to focus its future exploration efforts in finding a higher grade mineralized body within this large system.

Subsequent to this fiscal year end, on February 16, 2017, the Company announced that it had reached an agreement with First Quantum Minerals Ltd to terminate the Dolores copper porphyry project joint-venture. Under the term of the agreement, the Company regained 100% ownership of the Dolores Project, in Southern Peru. As consideration for the US$8 million investment made by First Quantum in the Dolores Project and related areas, and in full repayment of the US$2 million convertible loan between the two companies, the Company will grant First Quantum a 3.5% a Net Smelter Returns Royalty on any future production that may occur at the Dolores Project. Zincore has the right to reduce the Royalty at any time by 1.5 percentage points to 2.0%, by paying First Quantum US$4 million.

## SELECTED ANNUAL INFORMATION

| | YEAR ENDED DECEMBER 31, 2016 | | YEAR ENDED DECEMBER 31, 2015 | | YEAR ENDED DECEMBER 31, 2014 | |
|---|---|---|---|---|---|---|
| Loss before other loss (income) | $ | 503,340 | $ | 537,785 | $ | 41,933,117 |
| Interest and other income | $ | (215,803) | $ | (920,765) | $ | (2,082,368) |
| Net loss (gain) | $ | 287,537 | $ | (382,980) | $ | 39,850,749 |
| Net loss (gain) per share | $ | 0.01 | $ | (0.05) | $ | 4.80 |
| Total assets | $ | 29,640 | $ | 84,510 | $ | 29,368 |
| Financial liabilities | $ | 1,710,678 | $ | 1,669,724 | $ | 1,822,711 |
| Common shares outstanding | | 11,839,385 | | 8,853,774 | | 8,306,798 |

## RESULTS OF OPERATIONS

| | YEAR ENDED DECEMBER 31, 2016 | | YEAR ENDED DECEMBER 31, 2015 | | YEAR ENDED DECEMBER 31, 2014 | |
|---|---|---|---|---|---|---|
| Depreciation | $ | - | $ | - | $ | 3,743 |
| Mineral property costs written off | | - | | - | | 39,698,523 |
| Write-off of investment in associates | | - | | - | | 696,100 |
| General exploration | | 142,170 | | 145,580 | | 604,345 |
| Salaries and benefits | | - | | 3,929 | | 346,558 |
| General and administrative expenses (1) | | 200,250 | | 216,281 | | 448,099 |
| Consulting and management fee | | 158,617 | | 140,943 | | 357,711 |
| Reversal of prior years' accrual | | - | | - | | (462,000) |
| Foreign exchange loss | | 2,303 | | 31,052 | | 214,576 |
| Loss on disposition of property, plant and equipment | | - | | - | | 25,462 |
| Other loss (income) | | (215,803) | | (920,765) | | (2,082,368) |
| Net loss (income) | $ | 287,537 | $ | (382,980) | $ | 39,850,749 |

(1) General and administrative expenses include office expenses, shareholder information, legal and accounting expense, interest, and travel expenses

During the year ended December 31, 2016, the Company incurred a net loss of $287,537 which is lower than fiscal 2015's $0.9 million and 2014's $39.9 million loss as the Company has significantly lowered its business activities to conserve its cash and other resources before it gets adequately capitalized. There was also a $39.7 million mineral property cost write off in 2014 which did not occur in 2015 or 2016. Comparing to the net income position of $382,980 in the prior year (2015), there were a few non-routine other income items such as the recovery of $172,526 (Peruvian Sol $441,012) of tax credits that were previously written off in 2014. More significantly, in 2015, there was a gain of $557,137 relating to the adjustment of fair value of convertible option of FQM. These non-routine items were not as high in 2016.

Total assets throughout 2014 to 2016 remained low as the Company has written off its mineral property balance for accounting purposes. The minor fluctuation between the fiscal years were mainly related to the use of cash to fund its corporate expenses and generative exploration activities.

## QUARTERLY FINANCIAL INFORMATION

| FISCAL QUARTER ENDED | DEC 31, 2016 | SEPT 30, 2016 | JUN 30, 2016 | MAR 31, 2016 | DEC 31, 2015 | SEPT 30, 2015 | JUN 30, 2015 | MAR 31, 2015 |
|---|---|---|---|---|---|---|---|---|
| Interest and other income (loss) | $ 369,848 | $ (139,689) | $ (14,423) | $ 67 | $ 557,298 | $ 168,034 | $ 172,438 | $ 4,627 |
| Net gain (loss) | $ 277,353 | $ (227,635) | $ (197,546) | $ (139,709) | $ 504,392 | $ 123,515 | $ (21,820) | $ (223,107) |
| Gain(loss) per share | $ (0.00) | $ (0.02) | $ (0.00) | $ (0.00) | $ 0.01 | $ 0.00 | $ (0.00) | $ (0.01) |
| Total assets | $ 29,640 | $ 23,361 | $ 45,205 | $ 34,185 | $ 84,510 | $ 133,491 | $ 234,963 | $ 38,034 |
| Total liabilities | $ 1,710,678 | $ 1,946,101 | $ 1,873,179 | $ 1,658,529 | $ 1,669,724 | $ 2,189,869 | $ 2,350,260 | $ 2,146,896 |

**Three months ended December 31, 2016 vs. prior quarters in 2016**

In the three months ended December 31, 2016 the Company earned net income of $277,353 versus losses in the previous three quarters of 2016. The main drivers were a gain on the revaluation of the convertible loan and a gain on the settlement of debt. Liabilities decreased in the fourth quarter of 2016 compared to the previous three quarters given a decrease in accrued liabilities net of an increased of shareholder loans in the last quarter of 2016.

**Three months ended December 31, 2016 vs. prior quarters in 2015**

In the three months ended December 31, 2016 the Company earned a net income of $277,353. This was higher than all of the previous quarters in 2015 except for Q4 2015. The net income position in Q4 2016 was driven by gain on the settlement of debt and the revaluation of convertible loan. Q4 2016's net income position was lower than Q4 2015 because Q4 2015's gain on the settlement of debt and revaluation of convertible loan was higher.

**Change in total assets**

Total assets remained low throughout 2015 to 2016 as all mineral properties were written off in fiscal 2014. Total liabilities have decreased throughout 2015 to 2016 as the Company continue to lower its debt level to improve its balance sheet.

## LIQUIDITY AND CAPITAL RESOURCES

| | YEAR ENDED DECEMBER 31, 2016 | YEAR ENDED DECEMBER 31, 2015 | YEAR ENDED DECEMBER 31, 2014 |
|---|---|---|---|
| Cash outflow from operations | $ (259,320) | $ (602,881) | $ (1,256,259) |
| Cash flows from financing activities | $ 210,763 | $ 654,581 | $ 1,726,466 |
| Cash outflows from investing activities | $ - | $ - | $ (1,053,688) |
| Increase (decrease) in cash and cash equivalents | $ (48,557) | $ 51,700 | $ (584,775) |
| Cash and cash equivalents | $ 11,119 | $ 59,676 | $ 7,976 |

As at December 31, 2016, the Company's working capital deficiency was $1,281,625 (December 31, 2015 - $692,807). This increase of the deficiency since December 31, 2015 was resulted the reclassification of long term debt to current debt as the maturity date are within one fiscal year from December 31, 2016.

Cash outflow from operations for the year ended December 31, 2016 were lower than the comparative period in 2015 and 2014 as the Company was conserving its cash and minimizing expenditure due to its financial condition.

Cash flows from financing activities for the year ended December 31, 2016 was $210,763 as the Company has received proceeds from private placement for $149,281, and $61,482 from shareholder loan. There were more financing activities in 2015 and 2014, resulting a higher cash inflow in those years.

Cash outflow from investing activities for the year ended December 31, 2016 and 2015 were both nominal due to no major investments made in its mineral properties (unlike fiscal 2014).

The Company's future financial condition is still dependent on finding sources of financing in order to continue as a going concern.

**Commitments**

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

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. The agreement became effective on April 15, 2012. The Company's committed operating lease obligation is $117,504 for 2017.

## OFF-BALANCE SHEET TRANSACTIONS

The Company does not utilize off-balance sheet transactions.

## RELATED PARTY TRANSACTIONS

(a) Prior to October 2013, the Company paid remuneration for management services to a company controlled by Zincore's CEO. Fees were paid based on a daily rate pursuant to a consulting contract, approved by the Company's Board of Directors. In October 2013, the Company commenced paying its CEO directly rather than to a company controlled by him. The Company also paid the remuneration of the Chief Financial Officer ("CFO") through a company controlled by the CFO. These amounts are recorded as a consulting fees in Consolidated Annual Statements of Comprehensive Loss.

(b) On September 29, 2015, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged two unsecured loans with Jorge Benavides Alfaro, the CEO, for an aggregate of U.S. $215,536. The Benavides Loans are in respect of advances in an aggregate of U.S. $143,836 made by Mr. Benavides to the Company over the past 9 months, and for consulting fees of U.S. $71,700 owes by the Company to Mr. Benavides for the period of October 2014 to September 2015, respectively. The Loans, which mature in 24 months on September 29, 2017, have interest rates of 12% compounded annually. The Loan principals and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.

(c) On May 3, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. $11,400. The Benavides Loans, which mature in 24 months on May 3, 2018, carry interest rates of 12% compounded annually. The Loan principal and applicable accrued interest to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of Benavides Loan are to be used for some outstanding payables and general working capitals.

(d) On June 21, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of Peruvian Sol $35,000. The Benavides Loans, which mature in 24 months on June 21, 2018, carry interest rates of 12% compounded annually. The Loan principal and applicable accrued interest to be repaid at maturity, with any early repayment at the option of the Company.

(e) On September 28, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. $700. The Benavides Loans, which mature in 24 months on September 28, 2018, carry interest rates of 12% compounded annually. The Loan principal and applicable accrued interest to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of Benavides Loan are to be used for some outstanding payables and general working capital.

(f) On October 13, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. $1,000. The Benavides Loans, which mature in 24 months on October 13, 2018, carry interest rates of 12% compounded annually. The Loan principal and applicable accrued interest to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of Benavides Loan are to be used for some outstanding payables and general working capital.

(g) On October 13, 2016, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. $6,000. The Benavides Loans, which mature in 24 months on October 13, 2018, carry interest rates of 12% compounded annually. The Loan principal and applicable accrued interest to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of Benavides Loan are to be used for some outstanding payables and general working capital.

(h) On November 30, 2016, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. $15,000. The Benavides Loans, which mature in 24 months on November 30, 2018, carry interest rates of 12% compounded annually. The Loan principal and applicable accrued interest to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of Benavides Loan are to be used for some outstanding payables and general working capital.

(i) On December 16, 2016, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. $2,250. The Benavides Loans, which mature in 24 months on December 16, 2018, carry interest rates of 12% compounded annually. The Loan principal and applicable accrued interest to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of Benavides Loan are to be used for some outstanding payables and general working capital.

(j) As at December 31, 2016, related party accounts payable was $123,489 (December 31, 2015 - $85).

(k) Compensation of key management personnel:

| | YEAR ENDED DECEMBER 31, 2016 | YEAR ENDED DECEMBER 31, 2015 |
|---|---|---|
| Remuneration paid to CEO | $ 118,736 | $ 91,576 |
| Remuneration paid to CFO | 36,000 | 36,000 |

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Zincore's financial instruments consist of cash and cash equivalents, exploration 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. Exploration advances and other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable are classified as other financial liabilities, which are measured at amortized cost. Convertible loan and share purchase warrants are classified as financial liabilities at fair value through profit and 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.

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. The following table summarize the Company's financial instruments as at December 31, 2016 and 2015.

| | DECEMBER 31, 2016 | | DECEMBER 31, 2015 | |
|---|---|---|---|---|
| | Carrying Amount ($) | Fair Value ($) | Carrying Amount ($) | Fair Value ($) |
| FINANCIAL ASSETS | | | | |
| Fair value through profit or loss | - | - | - | - |
| Cash and cash equivalents | 11,119 | 11,119 | 59,676 | 59,676 |
| Prepaid, and other receivables | 18,521 | 18,521 | 24,834 | 24,834 |
| FINANCIAL LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 565,339 | 565,339 | 745,183 | 745,183 |
| Long term obligation current portion | 634,157 | 634,157 | 585,946 | 585,946 |

Financial instruments disclosure requires a statement of the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of fair value are:

Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities

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

Level 3 Inputs that are not based on observable market data

Fair values of financial instruments

The Company has classified all of its financial instrument at Level 1 except for accounts payables and accrued liabilities (Level 2) and long term obligations (Level 2).

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are disclosed in notes 2(n) and 2(o) to the Company's audited consolidated financial statements for the years ended December 31, 2016 and 2015. 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 prepaid, exploration advances, and 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 loss and composition of deferred income tax assets and liabilities included in the consolidated statement of financial position at December 31, 2016; and
- the inputs used in determining the various commitments and contingencies accrued in the consolidated statements of financial position.

## CHANGES IN ACCOUNTING POLICIES

No changes in accounting policies were identified as at December 31, 2016 that will materially impact the consolidated financial statements and the MD&A.

## SHARE CAPITAL INFORMATION

Zincore has an unlimited number of common shares authorized for issuance. As at December 31, 2016, the total shares outstanding is 11,839,385 on a post-consolidated basis. (December 31, 2015 - 8,853,774). The increase in shares outstanding are explained below.

As at the date of this report, the Company had 12,635,789 total shares outstanding on a post-consolidated basis. This increase was driven by the exercising of share purchase warrants (796,406) in January 2017.

On July 4, 2016, the Company closed the initial tranche of private placement for gross proceeds of $110,368 at a price of $0.05 per unit. The total of 2,207,350 units have been issued. Each unit consists one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of $0.05 per common share on a post consolidation basis for a period of six months from closing date.

On July 8, 2016, the Company closed the final tranche of the private placement for gross proceeds of $38,913 at a price of $0.05 per unit. The total of 778,261 units have been issued. Each unit consists one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of $0.05 per common share on a post consolidation basis for a period of six months from closing date.

On July 22, 2016, the Company received the approval of TSX Venture Exchange for the consolidation of its issued and outstanding common shares on the basis of one new common share for every five common shares currently issued and outstanding. The Company's shares commenced trading on the NEX, a separate board of the TSX Venture Exchange, on a consolidated basis at the open of market on Tuesday, July 26, 2016. On a post-consolidation basis, there are 11,839,385 common shares issued and outstanding.

As at the date of the report and December 31, 2016, Zincore has 616,334 (December 31, 2015 - 847,833) stock options outstanding with a weighted average exercise price of $1.25 (December 31, 2015 - $0.25) per option.

| | AT DECEMBER 31, 2016 | | | AT DECEMBER 31, 2015 | | |
|---|---|---|---|---|---|---|
| | NUMBER OF OPTIONS | WEIGHTED AVERAGE EXERCISE PRICE | | NUMBER OF OPTIONS | WEIGHTED AVERAGE EXERCISE PRICE | |
| Outstanding at beginning of year | 847,833 | $ | 1.25 | 707,166 | $ | 3.95 |
| Granted | - | $ | - | 460,000 | $ | 0.25 |
| Expired | (231,499) | $ | 2.34 | (319,333) | $ | 5.45 |
| Outstanding at end of period | 616,334 | $ | 0.81 | 847,833 | $ | 1.25 |
| Exercisable at end of period | 616,334 | $ | 0.81 | 541,167 | $ | 2.00 |

| EXERCISE PRICE RANGE | NUMBER OF OPTIONS OUTSTANDING | WEIGHTED AVERAGE EXERCISE PRICE | WEIGHTED-AVERAGE REMAINING YEARS | NUMBER OF OPTIONS EXERCISABLE |
|---|---|---|---|---|
| $0.01-$0.50 | 360,000 | $0.25 | 3.9 | 360,000 |
| $0.65-$2.50 | 201,334 | $0.97 | 1.9 | 201,334 |
| $2.51-$5.00 | 55,000 | $3.90 | 0.8 | 55,000 |
| | 616,334 | $0.81 | 3.0 | 616,334 |

The Company has no outstanding warrants as at the date of reporting.

As at December 31, 2016 the Company had the following warrants outstanding:

| NUMBER OF WARRANTS | EXERCISE PRICE | | EXPIRY DATE |
|---|---|---|---|
| 2,207,350 | $ | 0.05 | JANUARY 04, 2017 |

| | | | |
|---|---|---|---|
| 778,261 | $ | 0.05 | JANUARY 08, 2017 |
| 2,985,611 | $ | 0.05 | |

As at December 31, 2015 the Company had the following warrants outstanding:

| NUMBER OF WARRANTS | | EXERCISE PRICE | EXPIRY DATE |
|---|---|---|---|
| 244,444 | $ | 0.95 | MARCH 24, 2016 |
| 244,444 | | | |

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

## RISK AND UNCERTAINTIES

In making and providing the forward-looking information included in this MD&A, the Company has made numerous assumptions. These assumptions include among other things:

(i) assumptions about the price of zinc, lead, copper and other base metals;

(ii) that there are no material delays in the exploration and drill programs on its properties;

(iii) assumptions about operating costs and expenditures;

(iv) assumptions about future production and recovery;

(v) that the supply and demand for zinc, lead, and copper develops as expected;

(vi) that there is no unanticipated fluctuation in foreign exchange rates; and

(vii) that there is no material deterioration in general economic conditions.

Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements, or results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the following:

(i) decreases in the price of zinc, lead, and copper;

(ii) the risk that the Company will continue to have negative operating cash flow;

(iii) the risk that additional financing will not be obtained as and when required;

(iv) material increases in operating costs;

(v) adverse fluctuations in foreign exchange rates;

(vi) environmental and political risks and changes in environmental and mining legislation;

(vii) community relations risks associated with operating in Peru; and

(viii) the risk that the Company will not be able to meet its continued listing requirements by the NEX.

## FORWARD-LOOKING STATEMENTS

Certain information in this MD&A, including all statements that are not historical facts, constitutes forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking information includes, but is not limited to, information which reflect management's expectations regarding the Company's future growth, results of operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing, execution, and success of exploration activities) and opportunities. In this MD&A this specifically includes statements regarding the Prefeasibility Study ("PFS") on the Accha Zinc Oxide ("AZOD"), future exploration on the AZOD project, a potential joint venture with First Quantum Minerals Ltd. ("First Quantum") relating to the Reconnaissance Properties (as defined herein), and timing of various stages of the Dolores drilling program. Often, this information includes words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

This MD&A contains information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of the factors are beyond the Company's control. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to reissue or update forward looking information as a result of new information or events after the date of this MD&A except as may be required by law. All forward-looking information disclosed in this document is qualified by this cautionary statement.