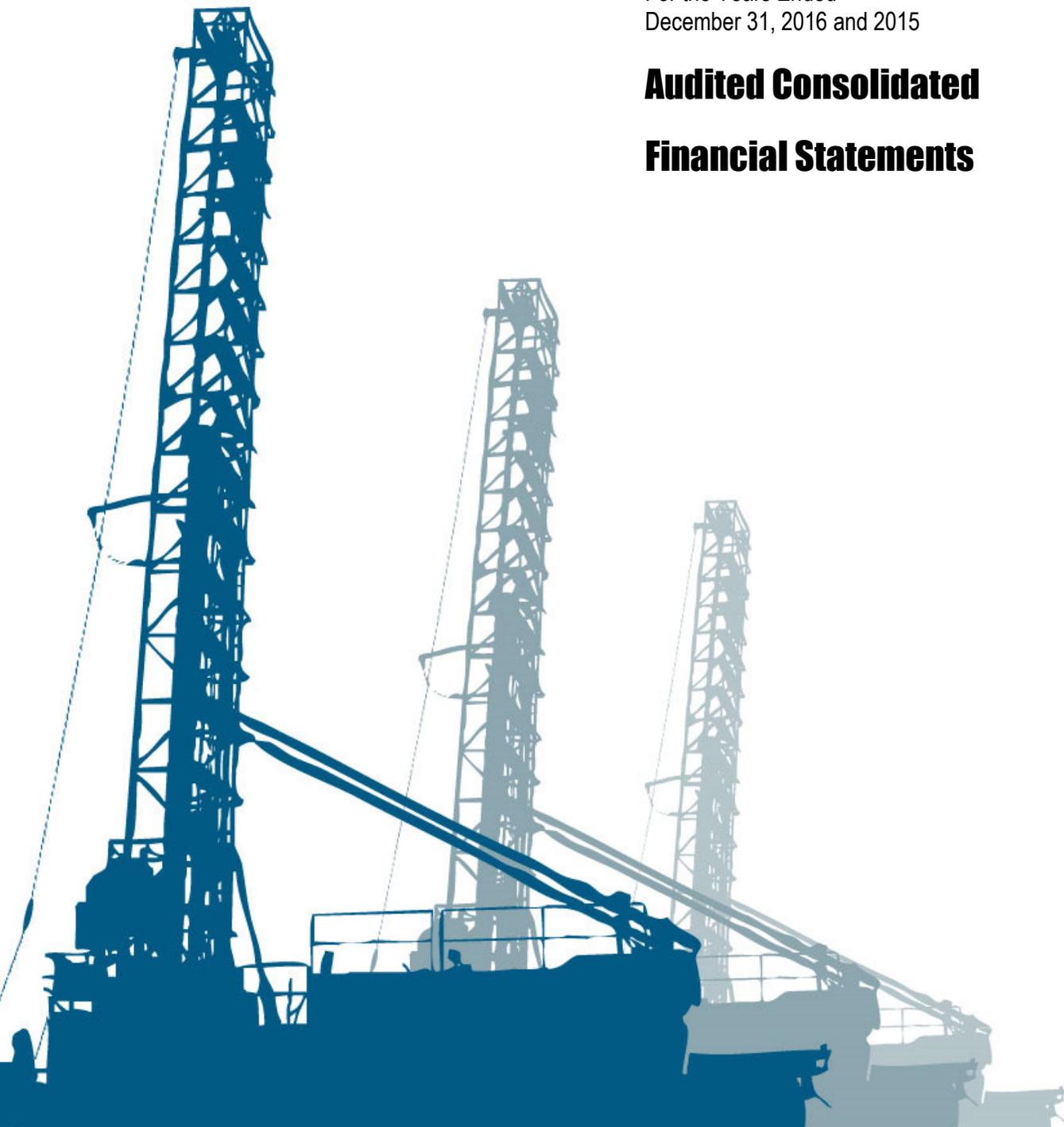


ZINCORE METALS INC.



For the Years Ended
December 31, 2016 and 2015

**Audited Consolidated
Financial Statements**



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of:
Zincore Metals Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Zincore Metals Inc. which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of income and other comprehensive loss, cash flows, and changes in equity for the years ended December 31, 2016 and 2015 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Zincore Metals Inc. as at December 31, 2016 and 2015, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred significant losses since inception and is also dependent upon its ability to secure new sources of financing to fund on-going operations. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada
April 19, 2017



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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

IN CANADIAN DOLLARS

As at	DECEMBER 31, 2016	DECEMBER 31, 2015
Assets		
Current assets		
Cash (note 12)	\$ 11,119	\$ 59,676
Prepaid, advances and other receivables (note 12)	18,521	24,834
Total Assets	\$ 29,640	\$ 84,510
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	\$ 565,339	\$ 745,183
Long term obligations – current portion (note 7,12)	634,157	-
Convertible loan (note 5)	111,769	32,134
	1,311,265	777,317
Non-current liabilities		
Shareholder loan (note 6, 9)	399,413	306,461
Long term obligations (note 7)	-	585,946
	1,710,678	1,669,724
Equity		
Share capital	55,944,146	55,917,944
Reserves	11,542,487	11,376,976
Deficit	(69,167,671)	(68,880,134)
	(1,681,038)	(1,585,214)
Total Equity and Liabilities	\$ 29,640	\$ 84,510

Nature and continuance of operations (note 1)
 Commitments (note 10)
 Subsequent events (note 13)

See accompanying Notes to the Consolidated Financial Statements



CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

IN CANADIAN DOLLARS

	YEAR ENDED DECEMBER 31, 2016	YEAR ENDED DECEMBER 31, 2015
Expenses		
General exploration expense	\$ (142,170)	\$ (145,580)
Consulting and management fee (note 9)	(158,617)	(140,943)
Salaries and benefits	-	(3,929)
Foreign exchange gain (loss)	(2,303)	(31,052)
Legal and accounting	(55,616)	(54,737)
General administration	(44,387)	(88,121)
Interest expenses (note 6, 7a)	(100,247)	(73,423)
Loss before undernoted item	(503,340)	(537,785)
Interest and other (expense) income	132	4,833
Gain on debt settlement	295,306	167,901
Other receivable recovery	-	172,526
Loss on revaluation of convertible debenture	(79,635)	557,137
Gain on revaluation of warrant	-	18,368
Net income (loss)	(287,537)	382,980
Other comprehensive income:		
Foreign currency translation differences in foreign operations	39,057	(217,010)
Total comprehensive income (loss)	\$ (248,480)	\$ 165,970
Loss per share - basic and diluted (pre-consolidated basis)	\$ (0.01)	\$ 0.01
Loss per share - basic and diluted (post-consolidated basis)	\$ (0.03)	\$ 0.05
Weighted average number of shares outstanding – basic and diluted (note 1)	10,313,602	8,485,764
Total shares issued and outstanding - post-consolidated basis (note 1)	11,839,385	8,853,774

See accompanying Notes to the Consolidated Financial Statements



CONSOLIDATED STATEMENTS OF CASH FLOWS

IN CANADIAN DOLLARS

	YEAR ENDED DECEMBER 31, 2016	YEAR ENDED DECEMBER 31, 2015
Operating Activities		
Net income (loss) before income taxes	\$ (287,537)	\$ 382,980
Items not involving cash:		
Share-based compensation (note 3b)	3,377	12,290
Gain on revaluation of warrants	-	(18,368)
Gain on debt settlement	(295,306)	(167,901)
Loss (gain) on revaluation of convertible debenture (note 5)	79,635	(557,137)
Accrued interest on convertible loan	-	39,838
Accrued interest on loans (note 6 & 7a)	99,810	35,356
Foreign exchange	2,303	31,052
Consulting fee converted to shareholder loan	-	91,684
	(397,718)	(150,206)
Change in non-cash operating working capital items:		
(Increase)decrease in prepaid, advances and other receivables	6,312	(3,442)
Increase (decrease) in accounts payable, loan payable and accrued liabilities	132,086	(449,233)
Cash used in operating activities	(259,320)	(602,881)
Financing Activities		
Proceeds from private placement (note 3)	149,281	-
Proceeds from Las Olas loan	-	474,400
Proceeds from shareholder loan	61,482	180,181
Cash provided by financing activities	210,763	654,581
Increase (decrease) in cash and cash equivalents during the period	(48,557)	51,700
Cash at beginning of period	59,676	7,976
Cash at end of period	\$ 11,119	\$ 59,676

See accompanying Notes to the Consolidated Financial Statements



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

IN CANADIAN DOLLARS

	SHARE CAPITAL		RESERVES			DEFICIT	TOTAL
	NUMBER OF SHARES (NOTE 4)	AMOUNT	SHARE-BASED PAYMENT RESERVE	WARRANTS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at December 31, 2015	8,853,774	\$ 55,917,944	\$ 4,376,608	\$ 4,671,357	\$ 2,329,011	\$ (68,880,134)	\$ (1,585,214)
Share-based Compensation	-	-	3,377	-	-	-	3,377
Private placement (note 3)	2,985,611	26,202	-	123,077	-	-	149,279
Net gain (loss)	-	-	-	-	-	(287,537)	(287,537)
Other comprehensive income	-	-	-	-	39,057	-	39,057
Balance at December 31, 2016	11,839,385	\$ 55,944,146	\$ 4,379,985	\$ 4,794,434	\$ 2,368,068	\$ (69,167,671)	\$ (1,681,038)
Balance at December 31, 2014	8,306,798	\$ 55,890,595	\$ 4,361,798	\$ 4,671,357	\$ 2,546,021	\$ (69,263,114)	\$ (1,793,343)
Share-based compensation	-	-	12,290	-	-	-	12,290
Net gain (loss)	-	-	-	-	-	382,980	382,980
Share issued for debt settlement	546,976	27,349	2,520	-	-	-	29,869
Other comprehensive loss	-	-	-	-	(217,010)	-	(217,010)
Balance at December 31, 2015	8,853,774	\$ 55,917,944	\$ 4,376,608	\$ 4,671,357	\$ 2,329,011	\$ (68,880,134)	\$ (1,585,214)

See accompanying Notes to the Consolidated Financial Statements



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 and 2015 (all items are in Canadian dollars except as otherwise notes)

1/ NATURE AND CONTINUANCE OF OPERATIONS

Zincore Metals Inc. (“Zincore” or the “Company”) located at 5626 Larch Street Suite 202, Vancouver BC, V6M 4E1, is an exploration company focused on the identification, acquisition, exploration, evaluation and development of zinc and related base metals projects 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.

These consolidated financial statements have been prepared on a going concern basis. Zincore does not generate cash flows from operations and accordingly, Zincore will need to raise additional funds through future issuance of securities, loans or other financing. Although Zincore has been successful in raising funds in the past, there can be no assurance Zincore will be able to raise sufficient funds in the future, in which case Zincore may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if Zincore will attain a profitable level of operations. At December 31, 2016, Zincore has incurred cumulative losses of \$69,167,671 (December 31, 2015 – \$68,880,134) since inception, has negative working capital totalling \$1,281,625 (December 31, 2015 - \$692,807), and is unable to pay all of its commitments as they come due. The Company is currently pursuing alternatives through potential partnerships or sales of non-core mineral properties. These factors cast significant doubt regarding Zincore’s ability to continue as a going concern. Should Zincore be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statements of financial position.

Although the Company has determined that some of its mineral properties contain mineral reserves that may be economically recoverable, the recoverability of amounts shown for those mineral reserves is dependent upon obtaining necessary financing to complete the development of such mineral reserves and attaining profitable production or proceeds from disposition. As well, the Company has not yet determined whether its other mineral properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for those mineral properties is dependent upon proving economically recoverable reserves, obtaining necessary financing to complete the development of such mineral reserves and attaining profitable production or proceeds from disposition.

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 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 share commenced trading on the NEX, on a consolidated basis at the open of market. The Company’s name and trading symbol (ZNC.H) remains the same.

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

2/ ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (“IFRS”). These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value as described in note 12. The policies applied in these consolidated financial statements are based on IFRS’s issued and effective as at December 31, 2016 for year ending on or before December 31, 2016.

The Company’s management makes judgements in its process of applying the Company’s accounting policies in the preparation of its audited annual consolidated financial statements. In addition, the preparation of the financial data requires that the Company’s management make assumptions and estimates of effects of uncertain future events on the carrying



amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgements and estimates applied in preparation of the Company's audited consolidated financial statements are consistent with those applied and disclosed in notes 2(n) and 2(o) to the Company's consolidated financial statements for the year ended December 31, 2016.

These financial statements were authorized by the Board of Directors on April 19, 2017.

(B) BASIS OF CONSOLIDATION

These audited consolidated annual financial statements include the accounts of the Company and its wholly-owned subsidiaries. All amounts are expressed in Canadian dollars, unless otherwise stated. The principal subsidiaries of Zincore and their geographic locations at December 31, 2016 were as follows:

	JURISDICTION	NATURE OF OPERATIONS	OWNERSHIP %
Zincore Metals Inc.	Canada	Holding company	100%
Polymex Resources Ltd. ¹	Canada	Holding company	49.9%
Nazca Minerals Ltd.	Bermuda	Holding company	100%
Wari Minerals Limited	Bermuda	Holding company	100%
Exploraciones Collasuyo S.A.C	Peru	Exploration company	100%

(1) As a result of First Quantum Minerals Inc. ("First Quantum") completing the second earn-in requirements at the Dolores Project during the third quarter of 2014, Zincore ceased to be the controlling shareholder of Polymex Resources Ltd. ("Polymex") and changed its accounting for the investment in that particular subsidiary from the consolidation method to the equity method.

Intercompany transactions and balances between the Company and its subsidiaries are eliminated.

(C) FOREIGN CURRENCIES

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

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

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

(D) FINANCIAL INSTRUMENTS

Zincore's financial instruments consist of cash and cash equivalents, advances and other receivables, convertible loan, share purchase warrants, and accounts payable. The Company has designated its cash and cash equivalents as financial assets at fair value through profit or loss, which are measured at fair value. Advances and other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable is classified as other financial liabilities, which are measured at amortized cost. Convertible loan and share purchase warrants are classified as financial liabilities at fair value through profit or loss, which are measured at fair value. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

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



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

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

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

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

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

Financial liabilities

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

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

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

(E) CASH AND CASH EQUIVALENTS

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

(F) PROPERTY, PLANT AND EQUIPMENT

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

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

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

(G) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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



(H) EXPLORATION AND EVALUATION ASSETS

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

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

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

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

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

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

(I) INCOME TAX

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

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

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

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

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

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

(J) SHARE-BASED PAYMENT TRANSACTIONS

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in other comprehensive (loss) income and accumulated in the share-based payment reserve. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.



(K) RESTORATION, REHABILITATION, AND ENVIRONMENTAL OBLIGATIONS

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

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

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

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

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

(L) LEASES

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

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. Lease payments are apportioned between finance expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

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

(M) LOSS PER SHARE

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

(N) SIGNIFICANT ACCOUNTING JUDGMENTS

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

(O) SIGNIFICANT ACCOUNTING ESTIMATES

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

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

- the recoverability of mineral properties which includes:
 - consideration of both external and internal sources of information in assessing whether there are any indications that mineral properties are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates



that are not within its control and affect the recoverable amount of mineral properties. Internal sources of information the Company considers include the manner in which mineral properties are expected to be used.

- Given the current financial position of the Company and the fact the Company's projects are in the explorations stage, it is difficult for the Company to determine fair value of its various projects. Given the Company's current cash position, they are not currently planning to spend any significant funds on any of their projects, and there is significant uncertainty that they will be able to maintain their claims to the projects in the near future given the lack of funds. In determining if there is a fair value, management considered that the market capitalization of the Company is \$1,420,726 at year-end, and there is little trading of the Company's shares. Furthermore, the Company has not been able to raise money, find partners or sell the projects, which suggests that there is not a significant value to the properties. Taking into account these internal and external factors, and the severe financial constraints that the Company is currently operating under, the Company has determined that the fair value of the projects is nominal at year-end and has recognized impairments for all of their properties.
- the recoverability of prepaid, advances, and other receivables which are included in the consolidated statements of financial position;
- the inputs used in accounting for share-based compensation expense in the consolidated statements of comprehensive (loss) income;
- the inputs used in accounting for share purchase warrants in the consolidated statements of comprehensive (loss) income;
- the provision for income taxes which is included in the consolidated statements of comprehensive (loss) income 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 and disclosed in the consolidated statements of financial position.

(P) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The Company has applied the following new and revised IFRSs in these audited consolidated financial statements:

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

On June 20, 2016, the IASB issued amendments to IFRS 2, Share-based Payment, clarifying how to account for certain types of share-based payment transactions.

The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9 Financial Instruments

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)).

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities.

It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.



IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on July 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 16 Leases

On January 13, 2016 the IASB issued IFRS 16 Leases.

The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on July 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

IAS 12 Income Taxes

Minor amendments to the recognition of deferred tax assets for unrealized losses. This should be reviewed and the related potential impact on your DITA should be assessed in advance of the 2017 fiscal period when it would have to be applied.

IFRS 10 Consolidated Financial statements.

Clarifications on the impact of loss of control of a JV or associate company. This should have no impact on your organization unless there are changes with any of the JVs or subs that we are unaware of.

IAS 7 Statement of Cash Flows

Improvements in disclosure required to allow users to evaluate cash and non-cash changes to liabilities. This should be reviewed and the related potential impact on your F/S disclosures should be assessed in advance of the 2017 fiscal period when it would have to be applied.

IAS 28 Investments in Associates and Joint Ventures

Minor amendments to the treatment of gains or losses on the sale of assets to associates or JVs. The impact of these amendments should be nominal to the company but any sales of assets from Procon to its subs or JVs should be reviewed to ensure the gains and losses are reported appropriately.



3/ SHARE CAPITAL

A) COMMON AND PREFERRED SHARES

The authorized share capital of the Company consists of an unlimited number of common shares without par value, an unlimited number of first preferred shares without par value, and an unlimited number of second preferred shares without par value. To date no preferred shares have been issued.

On July 4, 2016, the Company closed the initial tranche of a private placement for gross proceeds of \$110,366 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. (note 3c)

On July 8, 2016, the Company closed the final tranche of 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. (note 3c)

On July 22, 2016, the Company received the approval of the 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. As of July 26, 2016, on a post-consolidation basis, there are 11,839,385 common shares issued and outstanding.

B) SHARE PURCHASE OPTION COMPENSATION PLAN

The Company has a share purchase option plan providing for the issuance of options that shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company as at the date of grant of the options. The Company may grant options to directors, officers, employees, consultants and other personnel of the Company or any of its subsidiaries. The exercise price of each option is the volume weighted average trading price for the last five trading days prior to the date of grant of options, subject to any Exchange regulations. The option vesting periods are established by the Board of Directors or Exchange policies if applicable. Options may not be granted for a term exceeding ten years and all options granted to date have been for a term of five years.

As at date of December 31, 2016, the Company has 616,334 (December 31, 2015 – 847,333) stock options outstanding on a post-consolidation basis with a weighted average exercise price of \$0.81 (December 31, 2015 - \$1.25) per option.

The following table are the outstanding stock options as at:

	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 and cancelled	(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	AT DECEMBER 31, 2015	
			WEIGHTED-AVERAGE REMAINING YEARS	NUMBER OF OPTIONS EXERCISABLE
\$0.01-\$0.50	360,000	\$0.25	3.9	360,000
\$0.65-\$2.50	201,333	\$0.97	1.9	201,333
\$2.51-\$5.00	55,001	\$3.90	0.8	55,001
	616,334	\$0.81	3.0	616,334



During the year ended December 31, 2016, the Company recognized \$3,377 (2015 - \$12,290) as share-based compensation expense and recorded this amount in share based payment reserve. Of this amount, the common shares issued \$Nil, (2015 - \$Nil) was recorded in share capital during the period ended December 31, 2016. These amounts were recorded as follows:

	YEAR ENDED DECEMBER 31, 2016		YEAR ENDED DECEMBER 31, 2015
Consulting and management fees	\$ 3,377	\$	8,681
Salaries and benefits	\$ -	\$	3,609
Total	\$ 3,377	\$	12,290

C) WARRANTS

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. 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: January 4, 2017). The share purchase warrant's fair value of \$90,206 were recorded in warrants reserves. (note 3a). The fair value of the warrants were estimated through the Black-Scholes valuation method with the following key assumptions – expected life of 0.5 years; risk free rate of 0.57%, volatility of 377%, dividend rate of 0%.

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). The share purchase warrant's fair value of \$32,871 were recorded in warrants reserves. (note 3a). The fair value of the warrants were estimated through the Black-Scholes valuation method with the following key assumptions – expected life of 0.5 years; risk free rate of 0.57%, volatility of 377%, dividend rate of 0%.

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		



4/ DEFERRED TAXES

- a) The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

	DECEMBER 31, 2016	DECEMBER 31, 2015
Canadian statutory income tax rate	26%	25.75%
Recovery of income taxes computed at statutory rate	\$ (74,760)	\$ (99,575)
Non-deductible expenses	(18,466)	113,903
Effect of higher (lower) tax rates of foreign jurisdictions	(191)	2,836
Rate changes and others	106,176	3,164,656
Tax assets not recognized	(12,759)	(3,181,820)
Income tax expense	\$ -	\$ -

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

	DECEMBER 31, 2016	DECEMBER 31, 2015
Non-operating loss carry forwards	\$ 63,837,559	\$ 63,723,232
Capital loss carry forwards	210,964	210,964
Share issue costs	12,693	127,019
	\$ 64,061,216	\$ 64,061,216

There are \$18.5 million (2015 - \$18.5 million) of deferred tax assets not recognized at December 31, 2016. At December 31, 2016, the Company had loss carry forwards available for tax purposes totalling \$18.0 million in Canada expiring in 2029 to 2035 and \$46.0 million in Peru expiring between 2017 and 2021. The Company also has capital loss carry forwards available in Canada totalling \$210,964 (2015 - \$210,964).

5/ CONVERTIBLE LOAN

On April 17, 2013, the Company completed a loan agreement with First Quantum whereby First Quantum provided the Company with US \$2 million for working capital purposes. The term of the loan agreement was for one year, but was extended for one additional year to mature March 27, 2015, by mutual agreements between both parties. The interest rate is LIBOR plus 5%. Under the terms of the loan agreement, there is no provision in the agreement that requires Zincore to pay back this loan and the related interest in cash. The repayment options are as follows: Unless Zincore chooses to repay the loan in cash prior to maturity, First Quantum will choose at or before maturity, one of the following three conversion options to receive repayment:

- Credit all or a portion of the Loan amount towards the First Quantum's obligations to incur project expenditures for the Dolores joint venture as per the terms of the agreement dated August 28, 2012;
- Credit all or a portion of the Loan amount towards the First Quantum's obligations to earn an interest into any new copper target relating to the regional copper exploration "MOU" announced on July 23, 2013; or



- Convert all or a portion of the Loan amount into Zincore shares, subject to the prior approval of Zincore shareholders if the conversion would result in the issuing of a number of shares greater than 10% of the Company's issued and outstanding common shares at the time of conversion. Any conversion of the loan amount into Zincore shares would be at the greater of the volume weighted average trading price of the Company's shares for the five days prior to the date of conversion, or US \$2.40/share.

Given that First Quantum has terminated the regional copper exploration MOU and has advanced the Dolores project beyond the point where they have specific cash expenditure obligations, the remaining option for repayment of the loan and accrued interest is by conversion of the amount owed into Zincore common shares. The net value of loan, on this basis, outstanding as of December 31, 2016, was determined as \$111,769 (December 31, 2015 – \$32,134); the fair value of this conversion option was calculated at \$2,889,673 (December 31, 2015 - \$3,052,688). During the year ended December 31, 2016, the Company accrued interest expenses of \$Nil (2015 – \$39,838) related to this loan and recorded loss of re-evaluation of the loan \$79,635 (2015 – \$Nil).

The value of the convertible loan on the consolidated statements of financial position is calculated on a net basis as follows:

	DECEMBER 31, 2016	DECEMBER 31, 2015
Loan	\$ 3,001,442	\$ 3,084,822
Conversion option	(2,889,673)	(3,052,688)
Net value of convertible loan	<u>\$ 111,769</u>	<u>\$ 32,134</u>

6/ SHAREHOLDER LOAN

- On September 29, 2015, the Company's Peruvian subsidiary, Exploraciones Collaayo S.A.C., arranged two unsecured loans with Jorge Benavides Alfaro, (the "Benavides Loans") the President, CEO, and a director of the Company, 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 9 months in 2015, and for U.S. \$71,700 in consulting fees owed by the Company to Mr. Benavides for the period of October 2014 to September 2015. The Loans, which mature in 24 months on September 29, 2017, 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. (note 9b).
- On May 3, 2016, the Company's Peruvian subsidiary, Exploraciones Collaayo 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 capital. (note 9c).
- On June 21, 2016, the Company's Peruvian subsidiary, Exploraciones Collaayo 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. The proceeds of Benavides Loan are to be used for some outstanding payables and general working capital. (note 9d).
- On September 28, 2016, the Company's Peruvian subsidiary, Exploraciones Collaayo 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. (note 9e).
- On October 13, 2016, the Company's Peruvian subsidiary, Exploraciones Collaayo 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. (note 9f).
- 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. (note 9g).



- (g) 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. (note 9h).
- (h) 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. (note 9i).
- (i) As at December 31, 2016, \$399,413 (U.S. \$286,383 & Peruvian Sol \$37,204) (December 31, 2015 - \$306,461) is outstanding. During year ended December 31, 2016, the Company recorded accrued interest expenses of \$37,912 (2015 — \$9,020) related to this loan.

7/ LONG TERM OBLIGATIONS

- (a) On June 24, 2015, the Company's Peruvian subsidiary, Exploraciones Collasuyo S.A.C., arranged an arms-length, unsecured loan with Grupo Inversionista Las Olas S.A. for U.S. \$200,000 (\$250,000) (the "Loan"). The Loan, which matures in 24 months, has an interest rate of 12%, which will be 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. Proceeds from the Loan are to be used for payment of: property maintenance claims, some outstanding payables and general working capital purposes.

On September 8, 2015, the Company reported that its Peruvian subsidiary, Exploraciones Collasuyo S.A.C., arranged two arms-length, unsecured loans with Grupo Inversionista Las Olas S.A. for U.S. \$50,000 and U.S. \$120,000 (\$224,400 total) (the Loan). The Loans, which mature in 24 months on August 12, 2017 and September 3, 2017, have an interest rate of 12%, which will be 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. Proceeds from the Loan are to be used for payment of: property maintenance claims, some outstanding payables and general working capital purposes.

As at December 31, 2016, \$585,515 (U.S. \$436,073) (December 31, 2015 - \$537,304/U.S. \$389,351) was recorded as loan liability.

During year ended December 31, 2016, the Company recorded accrued interest expenses of \$61,898 (U.S. \$46,722) (December 31, 2015 — \$26,704/U.S. \$19,351) related to the loan.

- (b) In March 2012 the Company signed an agreement to sublease its current office space until September 2017 which will enable it to fully offset the remaining commitment relating to its operating lease obligations. The agreement became effective on April 15, 2012. Pursuant to that agreement the Company collected a three-month damage deposit and recorded it as a long-term obligation.
- (c) As at December 31, 2016 the Company had the following long-term obligation outstanding:

	YEAR ENDED	
	DECEMBER 31, 2016	DECEMBER 31, 2015
Las Olas Loan (a)	\$ 585,515	\$ 537,304
Lease obligation (b)	48,642	48,642
Total obligation	\$ 634,157	\$ 585,946
Current portion (due within 1-year)	\$ 634,157	\$ -
Long term portion	\$ -	\$ 585,946

8/ SEGMENTED INFORMATION

The Company operates in one reportable operating segment, the acquisition and exploration of mineral properties. As at December 31, 2016 and December 31, 2015, the Company has no non-current assets.



9/ 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. (note 6a)
- (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. (note 6b)
- (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 (U.S. \$10,670). 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. (note 6c).
- (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. (note 6d).
- (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. (note 6e).
- (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. (note 6f).
- (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. (note 7g).
- (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. (note 6h).
- (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		YEAR ENDED	
	DECEMBER 31, 2016		DECEMBER 31, 2015	
Remuneration paid to CEO	\$	118,736	\$	91,576
Remuneration paid to CFO		36,000		36,000



10/COMMITMENTS

The Company's material contractual obligations are for an office sub-lease entered 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.

11/ MANAGEMENT OF CAPITAL RISK

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

The capital of the Company consists of items included in shareholders' equity, net of cash and cash equivalents as follows:

	YEAR ENDED DECEMBER 31, 2016		YEAR ENDED DECEMBER 31, 2015	
Total equity for owners	\$	(1,681,038)	\$	(1,585,214)
Less: cash and cash equivalent		(11,119)		(59,676)
		(1,692,157)		(1,644,890)

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

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

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

12/ MANAGEMENT OF FINANCIAL RISK

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



A) FAIR VALUE ESTIMATION

The fair values of the Company's cash and cash equivalents, prepaid, advances and other receivables and accounts payable approximate their carrying values due to their short term nature. The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk with respect to currency risk and interest risk. 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	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 instruments at Level 1 except for accounts payables and accrued liabilities (Level 2) and long term obligations (Level 2).

B) CREDIT RISK

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations.

The Company's cash assets are held in demand accounts in Canada, Bermuda, and Peru. All accounts are held at commercial banks with credit ratings of A or higher.

C) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's operating requirements as well as its planned capital expenditures. The Company manages its financial resources to ensure that there is sufficient working capital to fund near term planned exploration work and operating expenditures. The Company has considerable discretion to reduce or increase exploration plans or budgets depending on current or projected liquidity. When appropriate, the Company will seek joint venture partners in order to fund or share in the funding of its exploration properties to minimize shareholder risk. The Company's cash assets are held in demand accounts in Canada, Bermuda, and Peru.

The Company is continuously evaluating alternatives in order to raise additional capital to increase liquidity and to cut costs where possible, but there's no certainty that additional capital will be raised. As at December 31, 2016, cash was \$11,119 (December 31, 2015 - \$59,676).

D) CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds its cash resources principally in Canadian dollars with a secondary amount held in U.S. dollars and incurs expenses principally in U.S. dollars with smaller exposures mainly to Peruvian soles and Canadian dollars. A weakening Canadian dollar relative to these currencies increases the Company's reported expenses and increases its deferred mineral property investments. However, a weakening Canadian dollar results in a foreign exchange gain on the Company's non-Canadian monetary assets.

As at December 31, 2016, a 10% weakening in the U.S. dollar relative to the Canadian dollar would increase the net gain by approximately \$111,025 (December 31, 2015 - \$6,973) over the next three months with a 10% strengthening having the opposite effect.



E) INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through the interest earned on cash and cash equivalents, as at December 31, 2016 and 2015, there's no material impact if there is a 1% increase or decrease in short term rates.

13/ SUBSEQUENT EVENTS

On January 4, 2017, the Company announced that 1,895,022 warrants issued in connection with a private placement offering closed on July 4, 2016 has expired. (note 3c)

On January 8, 2017, the Company announced that 294,183 warrants issued in connection with a private placement offering closed July 8, 2016 has expired. (note 3c).

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 terms of the agreement, the Company will regain 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 (note 5), the Company will grant First Quantum a 3.5% 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.