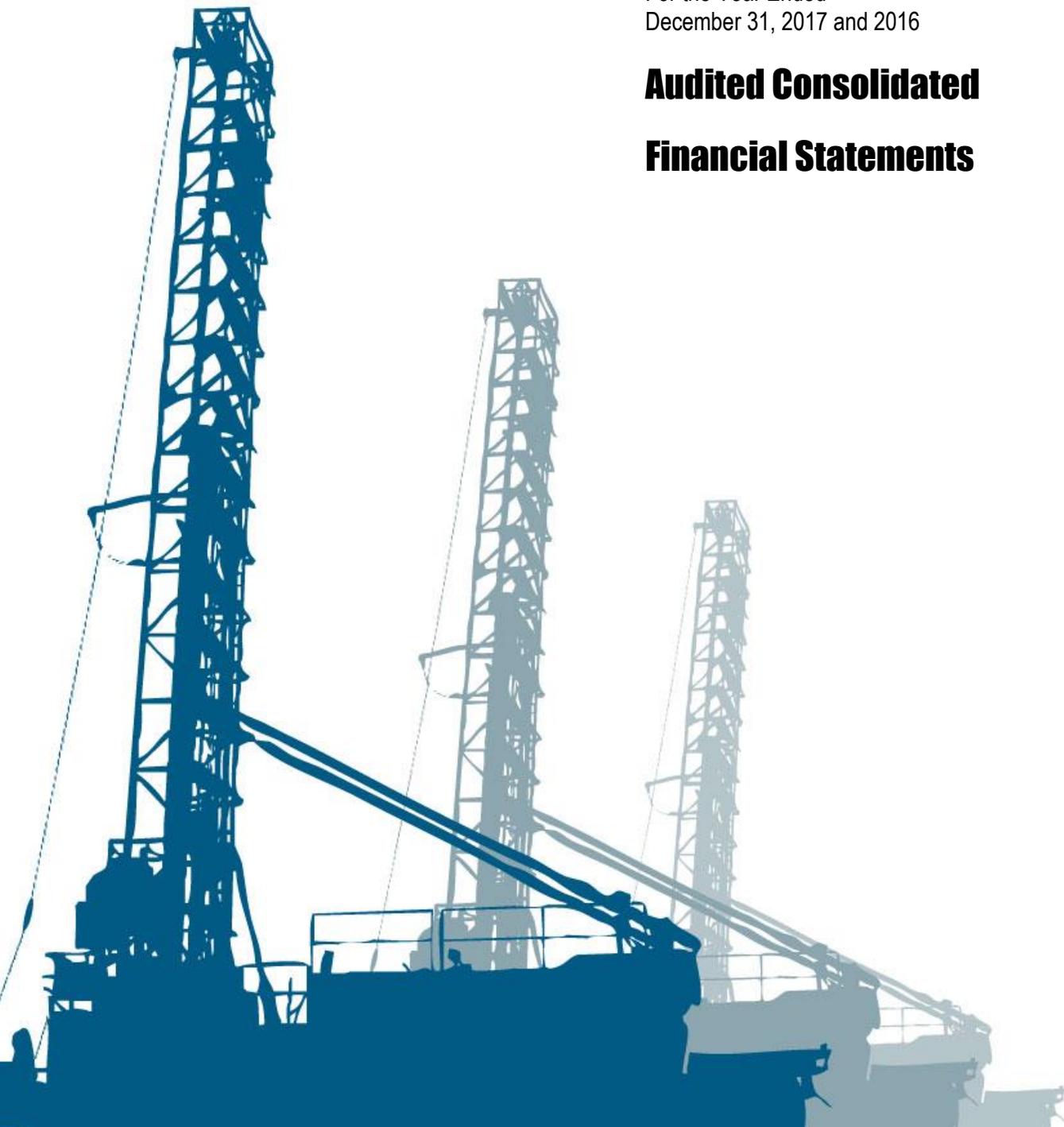


ZINCORE METALS INC.



For the Year Ended
December 31, 2017 and 2016

Audited Consolidated Financial Statements



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Independent Auditors' Report

To the Shareholders of Zincore Metals Inc.:

We have audited the accompanying consolidated financial statements of Zincore Metals Inc., which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' 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 auditors' 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, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1 to these consolidated financial statements which describes the existence of a material uncertainty that may cause significant doubt about the ability of Zincore Metals Inc. to continue as a going concern.

Other Matter

The consolidated financial statements of Zincore Metals Inc. for the year ended December 31, 2016 were audited by Anton, Bryson & Schindler of Vancouver, Canada, prior to its merger with MNP LLP. Anton, Bryson & Schindler expressed an unmodified opinion on those financial statements on April 19, 2017.

Vancouver, British Columbia

April 30, 2018


Chartered Professional Accountants



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

IN CANADIAN DOLLARS

As at	DECEMBER 31, 2017	DECEMBER 31, 2016
Assets		
Current assets		
Cash (note 12)	\$ 24,096	\$ 11,119
Prepaid, advances and other receivables (note 12)	3,539	18,521
	27,635	29,640
Non-current assets		
Mineral properties (note 4)	-	-
Total Assets	\$ 27,635	\$ 29,640
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6(n), 9, 12)	\$ 615,407	\$ 565,339
Short term obligations (note 7,12)	32,428	634,157
Shareholder loan – current (note 6, 9,12)	65,203	-
Convertible loan (note 5)	-	111,769
	713,038	1,311,265
Non-current liabilities		
Shareholder loan (note 6, 9)	98,993	399,413
	812,031	1,710,678
Equity		
Share capital (note 3)	57,015,123	55,944,146
Reserves	11,717,793	11,542,487
Deficit	(69,517,312)	(69,167,671)
	(784,396)	(1,681,038)
Total Equity and Liabilities	\$ 27,635	\$ 29,640

Nature and continuance of operations (note 1)
 Commitments (note 10)
 Subsequent event (note 14)

See accompanying Notes to the Consolidated Financial Statements



CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

IN CANADIAN DOLLARS

	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Expenses		
General exploration expense	\$ (189,953)	\$ (142,170)
Consulting and management fee (note 9)	(121,090)	(155,240)
Foreign exchange gain (loss)	(405)	(2,303)
Legal and accounting	(60,353)	(55,616)
General administration	(27,756)	(44,387)
Stock-based compensation	(130,076)	(3,377)
Interest expenses (note 6, 7)	(48,586)	(100,247)
Loss before undernoted item	(578,219)	(503,340)
Interest and other (expense) income	5,634	132
Gain on debt settlement (note 5,6)	226,084	295,306
Gain (loss) on revaluation of convertible bonds	-	(79,635)
Write-off mineral properties	(3,140)	-
Net income (loss)	(349,641)	(287,537)
Other comprehensive income:		
Foreign currency translation differences in foreign operations	28,346	39,057
Total comprehensive income (loss)	(321,295)	(248,480)
Loss per share - basic and diluted	(0.02)	(0.03)
Weighted average number of shares outstanding – basic and diluted	16,511,079	10,313,602
Total shares issued and outstanding	19,106,338	11,839,385

See accompanying Notes to the Consolidated Financial Statements



CONSOLIDATED STATEMENTS OF CASH FLOWS

IN CANADIAN DOLLARS

	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Operating Activities		
Net income (loss) before income taxes	\$ (349,641)	\$ (287,537)
Items not involving cash:		
Share-based compensation (note 3)	130,076	3,377
Gain (loss) on debt settlement	(226,084)	(295,306)
Loss on revaluation of convertible debenture	-	79,635
Accrued interest on convertible loan (note 5)	-	-
Accrued interest on loans (note 6 & 7)	34,314	99,810
Foreign exchange	405	2,303
Mineral property – impairment	3,140	-
	(407,790)	(397,718)
Change in non-cash operating working capital items:		
(Increase)decrease in prepaid, advances and other receivables	14,981	6,312
Increase (decrease) in accounts payable, loan payable and accrued liabilities	117,268	132,086
Cash used in operating activities	(275,541)	(259,320)
Investing Activities		
Cash acquired from Polymex (note 4)	1,019	-
Cash used in investing activities	1,019	-
Financing Activities		
Proceeds from private placement (note 3a)	132,675	149,281
Net proceeds from warrants exercised	58,921	-
Proceeds from shareholder loan	95,903	61,482
Cash provided by financing activities	287,499	210,763
Increase (decrease) in cash and cash equivalents during the period	12,977	(48,557)
Cash at beginning of year	11,119	59,676
Cash at end of year	\$ 24,096	\$ 11,119

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 3)	AMOUNT	SHARE-BASED PAYMENT RESERVE	WARRANTS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at December 31, 2016	11,839,383	\$ 55,944,146	\$ 4,379,985	\$ 4,794,434	\$ 2,368,068	\$ (69,167,671)	\$ (1,681,038)
Warrants exercised (Note 3)	887,363	102,356	-	(43,435)	-	-	58,921
Loan Settled (Note 3,6)	5,431,910	896,265	-	-	-	-	896,265
Private Placement (Note 3)	947,682	72,356	-	60,319	-	-	132,675
Share-based payments (Note 3)	-	-	130,076	-	-	-	130,076
Net gain (loss)	-	-	-	-	-	(349,641)	(349,641)
Other comprehensive income	-	-	-	-	28,346	-	28,346
Balance at December 31, 2017	19,106,338	\$ 57,015,123	\$ 4,510,061	\$ 4,811,318	\$ 2,396,414	\$ (69,517,312)	\$ (784,396)
Balance at December 31, 2015	8,853,772	\$ 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	2,985,611	26,202	-	123,077	-	-	149,279
Net gain (loss)	-	-	-	-	-	(287,537)	(287,537)
Other comprehensive loss	-	-	-	-	39,057	-	39,057
Balance at December 31, 2016	11,839,383	\$ 55,944,146	\$ 4,379,985	\$ 4,794,434	\$ 2,368,068	\$ (69,167,671)	\$ (1,681,038)

See accompanying Notes to the Consolidated Financial Statements



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 and 2016 (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, 2017, Zincore has incurred cumulative losses of \$69,517,312 (December 31, 2016 – \$69,167,671) since inception, and has negative working capital totaling \$685,403 (December 31, 2016 - \$1,281,625), and is unable to pay all of its commitments as they come due. The Company is currently pursuing its alternatives for financing, including potential partnerships. These factors indicate a material uncertainty that may 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.

As the result of a 2013 Pre-Feasibility Study and subsequent 43-101 compliant report, the Company determined that some of its mineral properties contain mineral reserves that may be economically recoverable, upon obtaining necessary financing to complete the development of such mineral reserves and attaining profitable production or proceeds from disposition, especially given the passage of time and changes in market dynamics and prices.

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 shares commenced trading on the NEX, on a consolidated basis at the open of market. The Company’s name and trading symbol (ZNC.H) remain 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 Standards (“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 audited consolidated financial statements are based on IFRS’s issued and effective as December 31, 2017 for year ending on or before December 31, 2017.

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 to the Company's consolidated financial statements for the year ended December 31, 2017.

These consolidated financial statements were authorized by the Board of Directors on April 30, 2018.

(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, 2017 were as follows:

	JURISDICTION	NATURE OF OPERATIONS	OWNERSHIP %
Zincore Metals Inc.	Canada	Holding company	100%
Polymex Resources Ltd. ⁽¹⁾	Canada	Holding company	100%
Antacollo SAC	Peru	Exploration company	100%
Paracas Minerals Ltd	Bermuda	Holding company	100%
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") terminating a joint-venture at the Dolores Project during the first quarter of 2017, Zincore regained 100% ownership of Polymex Resources Ltd. ("Polymex").

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 is 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 enacted or 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 enacted or 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 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, it is not currently planning to spend any significant funds on any of their projects, and there is significant uncertainty that it 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 \$5,731,901 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 its 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, 2017; 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 adoption of this standard is not expected to have a significant impact on the company.

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 adoption of this standard is not expected to have a significant impact on the company.

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 adoption of this standard is not expected to have a significant impact on the company.

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 adoption of this standard is not expected to have a significant impact on the company.

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 January 5, 2017, 796,406 warrants were exercised at an exercise price of \$0.05 for proceeds of \$39,820.

On May 16, 2017, the company completed a shares for debt transaction to settle indebtedness with certain creditors of the Company and the Company's Peruvian subsidiary, Exploraciones Collasuyo SAC. The Company issued 5,431,910 common shares of the Company at a fair value of \$0.165 per Share for carrying value of the debt settled of \$1,059,222. The fair value of the shares was lower than the carrying value of the debt settled, resulting in a gain of \$114,315.

On June 30, 2017, the company closed the initial tranche of a private placement for a gross proceeds of \$132,675 by issuing an aggregate of 947,682 units to exempt buyers at a price of \$0.14 per unit. Each unit consists of one common share and one-half of one common share purchase warrant (473,841). Each whole warrant will entitle the



holder to acquire an additional common share at a price of \$0.21 per common share for a period of twelve months from the closing date. The warrants have been valued at \$60,319 through the Black-Scholes model.

	2017	2016
Risk-free interest rate	0.65%	-
Expected life	1 year	-
Annualized volatility	242%	-
Dividend rate	0.00%	-

On December 21, 2017, 90,957 warrants were exercised at an exercise price of \$0.21 for proceeds of \$19,101.

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 set at the discretion of the Board, 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.

On November 13, 2017, the Company granted 1,288,000 incentive options to purchase common shares of the Zincore to Directors and Officers of the Company. The exercise price is \$0.15 with an expiry date of November 13, 2022. 50% of the options vested immediately, and 50% of the options vest 6 months from date of issuance.

The Company uses a Black-Scholes model method of accounting for all stock-based payments. The fair value of the stock options is estimated as at the date of the grant using the Black-Scholes pricing model with the following weighted average assumptions for the years ended December 31, 2017.

	2017	2016
Risk-free interest rate	1.63%	-
Expected life	5 years	-
Annualized volatility	260%	-
Dividend rate	0%	-

Under this method, The options has been valued at \$205,384, creating a stock-based compensation expense of \$130,076 (2016 - \$nil) for the year ended December 31, 2017.

As at December 31, 2017, the Company had 1,849,333 (December 31, 2016 – 616,334) stock options outstanding with a weighted average exercise price of \$0.26 (December 31, 2016 - \$0.81) per option.

The following table summarizes the outstanding stock options as at:

	AT DECEMBER 31, 2017		AT DECEMBER 31, 2016	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	616,334	\$ 0.81	847,833	\$ 1.25
Granted	1,288,000	\$ 0.15	-	-
Expired and cancelled	(55,001)	\$ 3.90	(231,499)	\$ 2.34
Outstanding at end of period	1,849,333	\$ 0.26	616,334	\$ 0.81
Exercisable at end of period	1,205,333	\$ 0.32	616,334	\$ 0.81



EXERCISE PRICE RANGE	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED- AVERAGE REMAINING YEARS	NUMBER OF OPTIONS EXERCISABLE
\$0.01-\$0.50	1,648,000	\$0.17	4.4	1,004,000
\$0.62-\$2.50	201,333	\$0.97	0.9	201,333
\$2.51-\$5.00	-	-	-	-
	1,849,333	\$0.26	4.1	1,205,333

During the year ended December 31, 2017, the Company recognized \$167,730 (2016 - \$3,377) as share-based compensation expense and recorded this amount in share-based payment reserve. These amounts were recorded as follows:

	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Consulting and management fees	\$ 167,730	\$ 3,377
Total	\$ 167,730	\$ 3,377

C) WARRANTS

On January 5, 2017, 796,406 warrants were exercised at an exercise price of \$0.05 for proceeds of \$39,820.

On June 30, 2017, the company completed a private placement and issued 473,841 warrants where each whole warrant will entitle the holder to acquire an additional common share at a price of C\$0.21 per common share for a period of twelve months from the closing date.

On December 21, 2017, 90,957 warrants were exercised at an exercise price of \$0.21 for proceeds of \$19,001.

During the year ended 2017, 2,189,205 warrants expired.

	NUMBER OF WARRANTS	EXERCISE PRICE
Opening – December 31, 2016	2,985,611	\$ 0.05
Exercised	(796,406)	\$ 0.05
Exercised	(90,957)	\$ 0.21
Expired	(2,189,205)	\$ 0.05
Granted	473,841	\$ 0.21
Ending – December 31, 2017	382,884	\$ 0.21

As at December 31, 2017 the Company had the following warrants outstanding:

NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRY DATE
382,884	\$ 0.21	JUNE 30, 2018

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	



4/ MINERAL PROPERTY

Accha Zinc Oxide District Project

As at December 31, 2017, the Company held a 100% interest in the Accha Zinc Oxide District (“AZOD”) Project. On August 6, 2013, the Company announced it had received a positive Pre-feasibility Study (“PFS”) on the AZOD Project. The PFS categorized certain of the project’s resources as proven and probable reserves. As a result of this PFS, the Company capitalized direct exploration expenditures into mineral properties. On every reporting period, the Company tests the carrying value of the asset if impairment indicators exist, such as change in market conditions.

During the second quarter of 2014, the Company wrote off its exploration expenditures relating to the AZOD Project. The Company has been actively trying to raise capital or find a partner in order to advance this project. Although the PFS completed in 2013 indicated positive economics and a Net Present Value (“NPV”) for the project which is significantly greater than its book value, to date the Company has been unsuccessful in raising capital, or finding a partner or buyer. This has caused the Company to decide not to invest further funds on exploration or development of this project until market conditions improve. Although exploration work has been suspended, the Company continues to work towards securing funding, or finding a partner or buyer, for this project.

All costs associated with AZOD Project has been written off. The company maintains four claims associated with AZOD Project in good standing. The company will be required to pay US\$82,800 by June 30 2018 to maintain these claims or they will be forfeited.

Dolores

On February 16, 2017, the Company reached an agreement with First Quantum Minerals Ltd to terminate the Dolores copper porphyry project joint-venture and forgive a US\$2 million convertible loan from First Quantum to Zincore. Under the terms of the agreement, the Company regained 100% ownership of the Dolores Project, in Southern Peru. As consideration for the forgiveness of the US\$2 million convertible loan, (resulting in an accounting gain of \$111,769 from the forgiveness of debenture) the Company granted First Quantum a 3.5% a Net Smelter Returns Royalty on any future production that may occur at the Dolores Project, if held by Zincore.

The Company had accounted for the acquisition as an asset purchase and the purchase price allocation is summarized as follows:

Accounts payable inherited	\$ 4,159
Total consideration	<u>\$ 4,159</u>
Allocated to:	
Cash	\$ 1,019
Mineral property	<u>3,140</u>
Total consideration	<u>\$ 4,159</u>

Given the Company’s financial situation, Zincore did not make the property claims payments associated with the Dolores claims due to the Peru government by December 31, 2017. Consequently, Zincore no longer holds the claims making up the Dolores project and has no further obligations to First Quantum with regard to the Dolores project. As a result, the Company recorded a full impairment of \$3,140 on the project.

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.

On February 16, 2017, the Company 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 regained 100% ownership of the Dolores Project, in Southern Peru. As consideration for the forgiveness of the US\$2 million convertible loan (resulting in an accounting gain of \$111,769 from the forgiveness of debt) between the two companies, the Company granted 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.

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

Loan	\$	3,001,442
Conversion option		(2,889,673)
Net value of convertible loan as at December 31, 2016	\$	111,769
Gain in settlement of debt – forgiveness of convertible loan	\$	(111,769)
Net value of convertible loan as at December 31, 2017	\$	-

6/ SHAREHOLDER LOAN

	December 31, 2017	December 31, 2016
Exploraciones Collauyo S.A.C 1 (a)(m)	\$ 65,203	333,958
Exploraciones Collauyo S.A.C 2 (b)	-	16,517
Exploraciones Collauyo S.A.C 3 (c)	-	14,891
Exploraciones Collauyo S.A.C 4 (d)	-	968
Exploraciones Collauyo S.A.C 5 (e)	-	1,377
Zincore Metals Inc 6 (f)	-	8,263
Zincore Metals Inc 7 (g)	-	20,341
Exploraciones Collauyo S.A.C 8 (h)	-	3,098
Exploraciones Collauyo S.A.C 9 (i)(m)	9,301	-
Exploraciones Collauyo S.A.C 10 (j)(m)	33,891	-
Zincore Metals Inc 11 (k)(m)	55,801	-
Total shareholder loans as at (m):	\$ 164,196	399,413
Shareholder loan – Short term portion as at (m):	\$ 65,203	-

- (a) On September 29, 2015, the Company's Peruvian subsidiary, Exploraciones Collauyo S.A.C., arranged two unsecured loans with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for an aggregate of U.S. \$215,536. The Loans were in respect of advances in an aggregate of U.S. \$143,836 made by Mr. Benavides to the Company over 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 matured after 24 months on September 29, 2017, carried interest rates of 12% compounded annually. The Loan principals and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. On May 16, 2017 the company partially settled the loans (\$282,314) by issuing 1,447,763 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$43,433.
- (b) 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 U.S. \$11,400. The Loan, which was to mature in 24 months on May 3, 2018, carried an interest rate of 12% compounded



annually. The Loan principal and applicable accrued interest was to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$17,244) by issuing 88,429 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$2,650.

- (c) 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 Peruvian Sol 35,000. The Loan, which was to mature in 24 months on June 21, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$16,098) by issuing 82,553 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$2,476.
- (d) 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 U.S. \$700. The Loan, which was to mature in 24 months on September 28, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$1,013) by issuing 5,193 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$155.
- (e) 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 U.S. \$1,000. The Loan, which was to mature in 24 months on October 13, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$1,440) by issuing 7,387 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$222.
- (f) On October 13, 2016, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$6,000. The Loan, which was to mature in 24 months on October 13, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$8,643) by issuing 44,323 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$1,329.
- (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 Loan, which was to mature in 24 months on November 30, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$21,288) by issuing 109,168 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$3,275.
- (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 U.S. \$2,250. The Loan, which was to mature in 24 months on December 16, 2018, carried an interest rate of 12% compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. The proceeds of the Loan were to be used for outstanding payables and general working capital. On May 16, 2017, the Company settled the principal and interest in full (\$3,241) by issuing 16,621 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$499.
- (i) 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 U.S. \$6,700. The Loan, which matures in 24 months on February 9, 2019, 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. The proceeds of the Loan are to be used for outstanding payables and general working capital.
- (j) On March 17, 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 U.S. \$24,679. The Loan, which matures in 24 months on March 17, 2019, 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. The proceeds of the Loan are to be used for outstanding payables and general working capital.



- (k) On March 17, 2017, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$40,634. The Loan, which matures in 24 months on March 17, 2019, 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. The proceeds of the Loan are to be used for outstanding payables and general working capital.
- (l) On May 16, 2017, the Company has completed shares for debt transactions to settle shareholder loans with certain creditors of the Company and the Company's Peruvian subsidiary, Exploraciones Collasuyo SAC. The Company issued 1,801,437 (see above from (a) to (h)) common shares of the Company to settle \$351,280 of debentures. As the fair value of the shares was lower than the deemed value at the date of issuance, a gain of \$54,039 was recognized from settlement.
- (m) December 14, 2017, the Company and its Peruvian subsidiary, Exploraciones Collasuyo S.A.C., ("Collasuyo") entered into agreements (the "Creditor Agreements") with the Company's CEO and Director Jorge Benavides to turn the applicable loans as indicated above, into long term debt obligations, subject to the Company completing a minimum \$600,000 financing. Upon completion of such a financing, the Creditor Agreements will become active, and the applicable funds will become due and payable 20-months after the closing of the financing.

The Creditor Agreements will be subject to interest rates of 12-month LIBOR, with the principal and applicable interest due at maturity. The Obligations will be guaranteed by Zincore. In the event that the Company is unable to pay the Obligations when they are due, they will be subject to an additional 2% annualized penalty.

- (n) December 14, 2017, the Company and its Peruvian subsidiary, Exploraciones Collasuyo S.A.C., ("Collasuyo") entered into agreements (the "Creditor Agreements") with the Company's CEO and Director Jorge Benavides to turn outstanding fees into long term obligations, subject to the Company completing a minimum \$600,000 financing. The total amount of payables that are subject to these Creditor Agreements is \$143,303 (US\$114,231). The Creditor Agreements will become active and the applicable funds will become due and payable 20 months after the closing of a minimum C\$600,000 financing.

The Creditor Agreements will be subject to interest rates of 12-month LIBOR, with the principal and applicable interest due at maturity. The Obligations will be guaranteed by Zincore. In the event that the Company is unable to pay the Obligations when they are due, they will be subject to an additional 2% annualized penalty.

As of December 31, 2017, the balance outstanding is \$164,196 (U.S. \$130,886) (December 31, 2016 - \$399,413 (U.S. \$286,383) & Peruvian Sol \$37,204). During the year ended December 31, 2017, the Company recorded accrued interest expenses of \$12,166 (2016 — \$37,912) related to shareholder loans.

7/ SHORT 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 matured after 24 months, had an interest rate of 12%, compounded annually. The Loan principal and applicable accrued interest were to be repaid at maturity, with any early repayment at the option of the Company. Proceeds from the Loan were 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 Loans). 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. Proceeds from the Loan are to be used for payment of: property maintenance claims, some outstanding payables and general working capital purposes.

During the year ended December 31, 2017, the Company recorded accrued interest expenses of \$22,148 (U.S. \$16,576) (2016 — \$61,898/U.S. \$46,722) related to the loan.

On May 16, 2017, the Company settled the Las Olas loans and interest in full (approximately \$611,800) with the issuance of 3,386,883 common shares. As the deemed value for the shares was lower than the fair value of the shares on the date of issuance, the Company resulted a gain of \$52,968 from the settlement.

As at December 31, 2017, \$nil (December 31, 2016 - \$585,515/U.S. \$436,073) was recorded as loan liability.

- (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 May 1st, 2012. Pursuant to that agreement the Company collected a three-month damage deposit and recorded it as a short-term obligation. On April 25, 2017, a new agreement was signed, whereby the lease was terminated early on July 15, 2017.

As at December 31, 2017 the Company had the following Short-term obligation outstanding:



	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Las Olas Loan (a)	\$ -	\$ 585,515
Lease obligation (b)	32,428	48,642
Total Short term obligation	\$ 32,428	\$ 634,157

December 22, 2017, the Company's Peruvian subsidiary, Exploraciones Collasuyo S.A.C., ("Collasuyo") entered into an agreement (the "Creditor Agreement") with a creditor of the Company to turn a current payable of \$361,227 (US\$287,792) into a long term obligation. The Creditor Agreements will become active when the company complete a minimum \$600k financing.

8/ SEGMENTED INFORMATION

The Company operates in one reportable operating segment, the acquisition and exploration of mineral properties. As at December 31, 2017 and December 31, 2016, 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 consulting fees in the Consolidated Annual Statements of Comprehensive Loss.
- (b) As at December 31, 2017, the Company had \$164,196 (December 31, 2016 - \$399,413) of shareholder loans outstanding (see note 6).
- (c) As at December 31, 2017, related party accounts payable was \$152,753 (December 31, 2016 - \$123,489). On May 16, 2017, the Company settled partial accounts payable of \$47,500 by issuing 243,590 common shares. As the fair value of the shares on issuance was lower than the deemed price per share, the Company recognized a gain of \$7,308. Including the gain from settlement of shareholder loan (\$54,039, see note 6(l) and Las Olas loan (\$52,968, see note 7(a)), the total gain from settlement of debenture from the issuance of 5,431,910 shares was \$114,315.
- (d) Compensation of key management personnel:

	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Remuneration paid to CEO	\$ 77,590	\$ 118,736
Remuneration paid to CFO	36,000	36,000

10/COMMITMENTS

- a) The Company's material contractual obligations are for an office sub-lease entered into September 2010, and as the result of an April 25, 2017 agreement, this obligation expires July 15, 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.

- b) As part of the convertible debenture settlement with First Quantum (note 5), the Company is required to maintain Directors and Officers Insurance over the next 6 years (commitment ends on February 2023). The Company's committed obligation is \$9,600 for 2018.



	WITH 1 YEAR		OVER 1 YEAR		TOTAL
D&O Insurance	\$	9,600	\$	40,000	49,600
		9,600		40,000	49,600

- c) The Company is committed to pay a property title fee of US\$82,800 on June 30, 2018 to keep the AZOD Project in good standing.

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, 2017		YEAR ENDED DECEMBER 31, 2016	
Total equity for owners	\$	(784,396)	\$	(1,681,038)
Less: cash and cash equivalent		(24,096)		(11,119)
		(808,492)		(1,692,157)

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, 2017 and December 31, 2016:



	DECEMBER 31, 2017		DECEMBER 31, 2016	
	Carrying Amount (\$)	Fair Value (\$)	Carrying Amount (\$)	Fair Value (\$)
FINANCIAL ASSETS				
Fair value through profit or loss				
Cash	24,096	24,096	11,119	11,119
Other receivables	3,539	3,539	18,521	18,521
FINANCIAL LIABILITIES				
Accounts payable and accrued liabilities	615,407	615,407	565,339	565,339
Short term obligation	32,428	32,428	634,157	634,157
Shareholder loan	164,196	164,196	399,413	399,413

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 I.

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.

B) 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, 2017, cash was \$24,096 (December 31, 2016 - \$11,119).

C) 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, 2017, a 10% weakening in the U.S. dollar relative to the Canadian dollar would increase the net gain by approximately \$66,057 (December 31, 2016 - \$110,025) with a 10% strengthening having the opposite effect.

D) 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, 2017 and December 31, 2016, there's no material impact if there is a 1% increase or decrease in short term rates.



13/ 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, 2017	DECEMBER 31, 2016
Net loss	\$ (349,641)	\$ (287,537)
Canadian statutory income tax rate	26%	26%
Recovery of income taxes computed at statutory rate	(90,907)	(74,760)
Non-deductible expenses	38,064	(18,466)
Change in deferred tax asset not recognized	52,843	93,226
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, 2017	DECEMBER 31, 2016
Canada		
Non-operating loss carry forwards	\$ 14,975,188	\$ 17,962,906
Capital loss carry forwards	210,964	210,964
Share issue costs	6,308	12,693
Peru		
Net operating loss carry forwards	42,312,243	46,055,641
	\$ 57,504,703	\$ 64,242,204

There are \$16.6 million (2016 - \$18.5 million) of deferred tax assets not recognized at December 31, 2017. At December 31, 2017, the Company had loss carry forwards available for tax purposes totaling \$14.9 million in Canada expiring in 2028 to 2037 and \$42.3 million in Peru expiring between 2018 and 2022. The Company also has capital loss carry forwards available in Canada totalling \$210,964 (2016 - \$210,964).

14/ SUBSEQUENT EVENTS

- (a) On February 16, 2018, 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 U.S. \$16,522. The Loan, which matures in 24 months on February 16, 2020, 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. The proceeds of the Loan are to be used for outstanding payables and general working capital.
- (b) On March 15, 2018, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$16,000. The Loan, which matures in 24 months on March 15, 2020, 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. The proceeds of the Loan are to be used for outstanding payables and general working capital.