

ZINCORE METALS INC.



For the Year Ended  
December 31, 2018 and 2017

## **Management's Discussion and Analysis**



## CONTENTS

GENERAL.....	3
OUTLOOK.....	3
DESCRIPTION OF BUSINESS.....	4
OVERALL PERFORMANCE AND CURRENT ECONOMIC CONDITIONS.....	4
PROPERTY REVIEW.....	5
SELECTED ANNUAL INFORMATION.....	5
RESULTS OF OPERATIONS.....	5
QUARTERLY FINANCIAL INFORMATION.....	6
LIQUIDITY AND CAPITAL RESOURCES.....	6
OFF-BALANCE SHEET TRANSACTIONS.....	7
RELATED PARTY TRANSACTIONS.....	7
FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS.....	10
CRITICAL ACCOUNTING POLICIES AND ESTIMATES.....	10
CHANGES IN ACCOUNTING POLICIES.....	10
SHARE CAPITAL INFORMATION.....	11
RISK AND UNCERTAINTIES.....	11
FORWARD-LOOKING STATEMENTS.....	12

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

For the Year Ended December 31, 2018 and 2017  
All figures in Canadian dollars unless otherwise noted

## GENERAL

The following Management's Discussion and Analysis ("MD&A") of Zincore Metals Inc. and its subsidiaries ("Zincore" or the "Company"), for the year ended December 31, 2018 and 2017 is prepared as of April 25, 2019 and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2018 which were prepared in accordance with International Financial Standards ("IFRS") as issued by the International Accounting Standards Board. All of these statements are available on the Company's website at [www.zincoremotals.com](http://www.zincoremotals.com) or on the SEDAR website at [www.sedar.com](http://www.sedar.com). Additional information relating to the Company is also available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

The Company was incorporated as Peru Zinc Corporation on September 21, 2005 in the Province of British Columbia. The Company subsequently changed its name to Southern Zinc Corporation on April 26, 2006 and to Zincore Metals Inc. on June 5, 2006. In November 2006, Zincore completed an initial public offering and commenced trading on the Toronto Stock Exchange ("TSX"). In May 2010, the Company's shares were approved for trading on the Lima Stock Exchange, or Bolsa de Valores de Lima ("BVL"). The address of the Company's registered office is 5626 Larch Street, Suite 202, Vancouver, BC, Canada V6M 4E1. On March 20, 2015, the Company announced that it had applied for voluntary delisting of its shares from the TSX and concurrently applied for a listing on the NEX, a separate board of the TSX-V. At market close on March 30, 2015, the Company's shares ceased to trade on the TSX and commenced trading on the NEX at market open on March 31, 2015 under the symbol "ZNC.H". Given that the Company's listing on the BVL was conditional in part on a TSX or TSX-V listing, the Company's shares ceased to trade on the BVL during the first quarter of 2015. Zincore shares are not differentiated based on the exchange they are bought or sold on. Accordingly, shareholders who purchased shares on the BVL are still able to complete transactions on the NEX, subject to the capabilities of their broker/dealer. On July 26, 2016, the Company's shares commenced trading on the NEX, a separate board of TSX Venture Exchange, on a consolidated basis at the open of the market. The Company's name and trading symbol (ZNC.H) remain the same.

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

## OUTLOOK

Increasing concerns about near-term global growth have had a very negative effect on the ability of junior resource companies to finance. This is demonstrated by the greater than 30% decline in the TSX-V value from its 2018 peak in early January of over 900 points, to its current level of just over 600 points. Management continues to pursue its efforts to maximize shareholder value, including but not limited to seeking investment or sale of the Company, or joint venture or sale of the AZOD Project. Annual claims maintenance fees and related penalties for the claims, which now make up the 3,600 hectare AZOD Project, were paid in June 2018 and are next due in June 2019.

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

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 regained 100% ownership of the 4,500 hectares which comprised the Dolores Project, in Southern Peru. As consideration for the US\$8 million investment made by First Quantum in the Dolores Project and related areas, and in full repayment of the US\$2 million convertible loan between the two companies, the Company 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. 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 commitments to First Quantum with regard to the Dolores project, except to maintain Directors and Officers Insurance over the next 6 years (commitment ends on February 2023).

There can be no assurances that the Company will be able to raise sufficient funds to meet its future property claims and related fee payments or other obligations as they come due in the normal course of business.

On January 21, 2019, the Company entered into a Letter of Intent ("LOI") dated January 13, 2019 with Mines & Metals Trading (Peru) PLC, ("MMTP") whereby the Company will acquire all of the issued and outstanding securities of MMTP by way of a share exchange, amalgamation or such other form of business combination as the parties may determine. Upon successful completion of the proposed acquisition of the securities of MMTP (the "Transaction"), it is anticipated that the Company (the "Resulting Issuer") will be listed as a Tier 2 Mining issuer on the TSX Venture Exchange ("TSX-V") and will carry on the business of the continued exploration and development of MMTP's Recuperada zinc-lead-silver project in Huancavelica, Peru. The Transaction is at arms-length and constitutes a 'reverse takeover' of the Company pursuant to Policy 5.2 of the TSX-V. The Company and MMTP is now working towards negotiating a Definitive Agreement.

Pursuant to the Transaction, Zincore will acquire all of the issued and outstanding shares of MMTP in exchange for the issuance of Zincore shares. It is expected that before the effect of any proposed financing or debt settlements, the holders of MMTP shares will hold 95% of the Resulting Issuer's shares, with the remaining 5% held by current Zincore shareholders.

As per the LOI, it is anticipated that prior to or concurrently with the closing of the Transaction, Zincore or MMTP, as the case may be, will complete a brokered private placement (the "Offering") for gross proceeds of US\$5,000,000, or such other amount as may be agreed by the parties, with a view to satisfying the minimum listing requirements of the TSX-V with respect to working capital requirements and public distribution applicable to the Resulting Issuer.

The Transaction is subject to a number of terms and conditions, including, but not limited to, the parties entering into a definitive agreement with respect to the Transaction, with such agreement to include representations, warranties, conditions and covenants typical for a transaction of this nature, the completion of satisfactory due diligence investigations, the completion of a debt settlement of the Company's related party debt as further described below, and the approval of the TSX-V and other applicable regulatory authorities.

In order to provide Zincore with liquidity necessary to conduct its operations until closing of the Transaction, MMTP and Zincore will enter into a loan agreement (the "Loan Agreement") pursuant to which MMTP will make available to Zincore a non-revolving credit facility, (the "Facility") by way of loans, ("Loans") up to a maximum amount of US\$50,000. MMTP may, in its sole discretion, from time to time upon request by Zincore, increase the maximum amount available to Zincore under the Facility at such times and in such amounts as may be agreed by the parties. The Loan Agreement will provide that Loans advanced under the Facility will mature, and the outstanding principal amount of such Loans and interest accrued thereon will become due and payable, on the date that is six months from the date of the Loan Agreement (the "Maturity Date"). Loan amounts advanced under the Facility will be used by Zincore to effect mutually agreed upon payments. The Loan Agreement will provide that interest shall accrue on the principal amount of each Loan advanced pursuant to the Facility from the date of such advance, as well as all overdue amounts outstanding in respect of interest, at the rate of 10% per annum, calculated daily and compounded monthly, and be payable by Zincore to MMTP on maturity or earlier, as otherwise set out in the Loan Agreement. Any obligations of Zincore under the Loan Agreement that are outstanding at the time of Closing shall be assumed by the Resulting Issuer.

## DESCRIPTION OF BUSINESS

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

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

## OVERALL PERFORMANCE AND CURRENT ECONOMIC CONDITIONS

The Company's focus during the year of 2018 continued to be searching for financing, cost reduction and settling its outstanding payment obligations. In order to settle a significant portion of its payment obligations, the Company entered into Shares for Debt Agreements in Q2 2017 with certain creditors whereby Zincore issued common shares of the Company in settlement of amounts owing as described below.

Exploration expenditures for the AZOD Project continue to be put on hold until a sufficient financing can be completed. The Company continues to work towards maintaining the essential project claims in good standing and continues to towards securing funding, or finding a partner or buyer, for the project. However, there can be no assurances that the Company will be successful in this endeavour.

In 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 amount owing of US\$287,792 into a long term debt obligation. In addition, the Company entered into agreements totalling US\$245,117 with the Company's CEO, Jorge Benavides, to turn current amounts owing and other payables into long term debt obligations. The obligations will be subject to interest rates of 12-month LIBOR, with the principal and applicable interest due at maturity and 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 at December 31, 2018, the Company had negative working capital, comprised of current assets less current liabilities, totaling \$896,173 (December 31, 2017 - \$685,403). The Company continues to explore ways to raise new funds while continuing to minimize cash outflows and seeking ways to settle its outstanding payables.

On October 15, 2018, David Black tendered his resignation from the Company's Board of Directors to devote more time to personal interests. Concurrently, the Board appointed Adam Ho, The Company's CFO, to the Board.

On January 22, 2019, Roman Friedrich tendered his resignation from the Company's Board of Directors. Concurrently, the Company announced that it had appointed Allan Williams to its Board.

## PROPERTY REVIEW

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

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

The company has held onto the key claims which make up the Accha Zinc Oxide District Project in southern Peru at all costs in an effort to take advantage of market sentiment to deliver value to our shareholders in the future.

## SELECTED ANNUAL INFORMATION

	YEAR ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Loss before other loss (income)	\$ 560,566	\$ 578,219	\$ 503,340
Interest and other income	(14,924)	(228,578)	(215,803)
Net loss (gain)	513,384	349,641	287,537
Net loss (gain) per share	(0.03)	(0.02)	(0.03)
Total assets	5,199	27,635	29,640
Financial liabilities	1,211,874	812,031	1,710,678
Common shares outstanding	19,106,338	19,106,338	11,839,385

## RESULTS OF OPERATIONS

	YEAR ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
General exploration	239,508	189,953	142,170
General and administrative expenses (1)	167,135	136,695	200,250
Consulting and management fee	36,000	121,090	155,240
Stock-based compensation	75,307	130,076	3,377
Foreign exchange loss	10,358	405	2,303
Other (income)expense	(14,924)	(231,718)	(215,803)
Write off mineral property		3,140	-
Net loss (income)	\$ 513,384	\$ 349,641	\$ 287,537

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

During the year ended December 31, 2018, the Company incurred a net loss of \$513,384 which is higher than the \$349,641 loss in 2017, and \$287,537 loss in 2016. The higher loss comparing to previous years was partially due to higher exploration expense (\$239,508 in current year versus \$189,953 in 2017 and \$142,170 in 2016), offset by lower consulting and management fees (\$36,000 in 2018, \$121,090 in 2017 and \$155,240 in 2016). The higher exploration expense is due to timing difference of expenses and foreign exchange rate. The lower consulting and management fee is due to management's effort on cost saving that the CEO of the Company stopped charging consulting fees started November 2017. In addition, the

Company received significant other income in both 2017 and 2016 due to gain from settlement of debt. Whereas there was minimal other income in 2018. The Company continued to reduce its business activities to conserve cash and other resources until it gets adequately capitalized.

Total assets remained low from 2016 through 2018, as the company has written off its mineral property for accounting purpose. The fluctuation over the years was mainly due to the use of cash to fund its corporate expenses and general exploration activities.

## QUARTERLY FINANCIAL INFORMATION

FISCAL QUARTER ENDED	DEC 31, 2018	SEPT 30, 2018	JUN 30, 2018	MAR 31, 2018	DEC 31, 2017	SEPT 30, 2017	JUN 30, 2017	MAR 31, 2017
Interest and other income (loss)	\$ 93	\$ 110	\$ 1,040	\$ 13,681	\$ (31)	\$ 5,615	\$ 114,315	\$ 111,782
Net gain (loss)	\$ (100,903)	\$ (94,249)	\$ (216,761)	\$ (101,471)	\$ (183,754)	\$ (63,875)	\$ (97,644)	\$ (4,368)
Gain(loss) per share	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Total assets	\$ 5,199	\$ 8,864	\$ 20,043	\$ 13,620	\$ 27,635	\$ 24,835	\$ 54,746	\$ 105,809
Total liabilities	\$ 1,211,874	\$ 1,152,930	\$ 1,085,530	\$ 867,099	\$ 812,031	\$ 770,211	\$ 756,979	\$ 1,738,873

### Three months ended December 31, 2018 vs. prior quarters in 2018 and 2017

During the three months ended December 31, 2018, the Company incurred a net loss of \$100,903. As the Company making every attempt to conserve cash, current quarter loss is lower than most of the previous quarters in 2018 and 2017, except for Q3 2018, Q1, Q2, and Q3 2017. The net loss in Q4 2018 is higher than in Q1 2017, mainly due to timing difference of expenses incurred and a \$111,782 one-time gain on debt settlement in Q1 2017. The net loss in Q4 2018 is higher than Q3 2017, slightly different with Q2 2017 due to higher interest expense (as shareholder loan balance is higher) and timing difference in expenses. The loss in Q4 2017 was higher due to recognition of a higher stock-based compensation expense of \$130,076, versus \$75,307 in Q4 2018.

### Other changes

Total liabilities in Q4 2018 were higher compared to previous quarters in 2018 and 2017, as the Company continued to finance its activities through shareholder loans. Total liabilities were reduced significantly in Q2 2017 as the Company entered into shares for debt arrangements with its creditors, whereby the Company issued common shares to settle some of its obligations. The Company continued to reduce its business activities to conserve cash and other resources until it gets adequately capitalized.

Total assets were declining in 2018, compared to 2017, as the Company used up cash for operations. Total assets were highest in Q1 2017, compared to all other quarters afterwards. This is due to receiving of cash from shareholder loans and the exercise of warrants in Q1 2017.

## LIQUIDITY AND CAPITAL RESOURCES

	YEAR ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Cash outflow from operations	\$ (344,970)	\$ (275,541)	\$ (259,320)
Cash flows from financing activities	\$ 323,531	\$ 287,499	\$ 210,763
Cash outflows from investing activities	\$ -	\$ 1,019	\$ -
Increase (decrease) in cash and cash equivalents	\$ (21,439)	\$ 12,977	\$ (48,557)
Cash and cash equivalents	\$ 2,657	\$ 24,096	\$ 11,119

As at December 31, 2018, the Company had working capital of -\$896,173 (December 31, 2017 - \$685,403). The decrease in working capital was due to increase in short term shareholder loans, as the Company continued to finance its activities through shareholder loans.

Cash outflow from operations for the year ended December 31, 2018 was higher the comparative period in 2017 and 2016, due to timing of settlement of account receivables and payables.

Cash inflows from financing activities for the year ended December 31, 2018 was \$323,531 as the Company received several shareholder loans.

Cash inflow from investing activities for the year ended December 31, 2018 was \$nil, comparing to \$1,019 in 2017, as the Company regained the ownership of Polymex and its assets (including \$1,019 cash).

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

#### Commitments

As part of the convertible debenture settlement with First Quantum, the Company is required to maintain Directors and Officers Insurance until February 2023. The Company's insurance obligation for 2019 is \$9,600.

	WITH 1 YEAR		OVER 1 YEAR		TOTAL
Insurance	\$	9,600	\$	30,400	\$ 40,000

The Company is committed to pay a property title fee of US\$82,800 on June 30, 2019 to keep the claims which make up the AZOD Project in good standing.

#### OFF-BALANCE SHEET TRANSACTIONS

The Company does not utilize off-balance sheet transactions.

#### RELATED PARTY TRANSACTIONS

- 1) 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.
- 2) On September 29, 2015, the Company's Peruvian subsidiary, Exploraciones Collaayo S.A.C., arranged two unsecured loans with Jorge Benavides Alfaro, the CEO, for an aggregate of U.S. \$215,536. The Benavides loans were in respect of advances in an aggregate of U.S. \$143,836 made by Mr. Benavides to the Company over the previous 9 months, and for consulting fees of U.S. \$71,700 owed by the Company to Mr. Benavides for the period of October 2014 to September 2015, respectively. The Loans, which were to mature 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 for year ended December 31, 2017.
- 3) On February 9, 2017, 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 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.
- 4) On March 17, 2017, 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 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.
- 5) 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.
- 6) On February 16, 2018, 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 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.
- 7) 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.

- 8) On April 16, 2018, 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 U.S. \$1,000. The Loan, which matures in 24 months on April 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.
- 9) On May 16, 2018, 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 U.S. \$100,000. The Loan, which matures in 24 months on May 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.
- 10) On May 30, 2018, 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 U.S. \$33,000. The Loan, which matures in 24 months on May 30, 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.
- 11) On May 1, 2018, the Company, arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for U.S. \$15,000. The Loan, which matures in 24 months on May 1, 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.
- 12) On July 23, 2018, 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 US\$43,686. The loan, which matures in 24 months on July 23, 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.
- 13) On August 10, 2018, the Company arranged an unsecured loan with Jorge Benavides Alfaro, the President, CEO, and a director of the Company, for US\$7,100. The loan, which matures in 24 months on August 10, 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.
- 14) On November 20, 2018, the Company arranged an unsecured loan with John Power, a shareholder of the Company, for US\$7,850. The loan, which matures in 6 months on May 19, 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.
- 15) Loan Settlement
  - a. 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 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 for year ended December 31, 2017.
  - b. 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 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 for year ended December 31, 2017.
  - c. 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 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 for year ended December 31, 2017.
  - d. 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 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 for year ended December 31, 2017.

- e. 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 for year ended December 31, 2017.
- f. 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 for year ended December 31, 2017.
- g. 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 for year ended December 31, 2017.
- h. On May 16, 2017, the Company 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 1) to 8)) 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 for year ended December 31, 2017.

16) Other arrangements

- a. 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.

- b. 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 \$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 at December 31, 2018, total of \$538,453 (U.S. \$394,702) (December 31, 2017 - \$164,196 (U.S. \$130,886)) is outstanding from shareholders, with Jorge Benavides being also a director and officer of the company. During the year ended December 31, 2018, the Company recorded accrued interest expenses of \$34,543 (2017 — \$12,166) related to these loans.

17) Compensation of key management personnel:

	YEAR ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2017
Remuneration paid to CEO	\$ -	\$ 77,590
Remuneration paid to CFO	36,000	36,000

As at December 31, 2018, related party accounts payable was \$203,084 (December 31, 2017 - \$152,753).

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation. The following table summarizes the Company's financial instruments as at December 31, 2018 and December 31, 2017.

	DECEMBER 31, 2018		DECEMBER 31, 2017	
	Carrying Amount (\$)	Fair Value (\$)	Carrying Amount (\$)	Fair Value (\$)
<b>FINANCIAL ASSETS</b>				
Fair value through profit or loss	-	-	-	-
Cash and cash equivalents	2,657	2,657	24,096	24,096
Other receivables	2,542	2,542	3,539	3,539
<b>FINANCIAL LIABILITIES</b>				
Accounts payable and accrued liabilities	696,076	696,076	615,407	615,407
Shareholder loan	483,370	483,370	164,196	164,196
Short term obligation	32,428	32,428	32,428	32,428

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

The Company has classified all of its financial instruments at Level 2.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are disclosed in the notes to the Company's audited consolidated financial statements for the years ended December 31, 2018. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of prepaid, exploration advances, and receivables which are included in the consolidated statements of financial position;
- the inputs used in accounting for share-based compensation expense in the consolidated statements of comprehensive income (loss);
- the inputs used in accounting for share purchase warrants in the consolidated statements of comprehensive income (loss);
- the provision for income taxes which is included in the consolidated statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the consolidated statement of financial position at December 31, 2018; and
- the inputs used in determining the various commitments and contingencies accrued in the consolidated statements of financial position.

## CHANGES IN ACCOUNTING POLICIES

No changes in accounting policies were identified as at December 31, 2018 that will materially impact the consolidated financial statements and the MD&A.

## SHARE CAPITAL INFORMATION

Zincore has an unlimited number of common shares authorized for issuance. As at December 31, 2018 and date of this report, the total number of shares outstanding is 19,106,338.

### Stock options

The following table summarizes the outstanding stock options as at December 31, 2018 and the date of this report:

	AT DECEMBER 31, 2018		AT DECEMBER 31, 2017	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	1,849,333	\$ 0.26	616,334	\$ 0.81
Granted	-	\$ -	1,288,000	\$ 0.15
Expired	(158,000)	\$ 1.06	(55,001)	\$ 3.90
Outstanding at end of period	1,691,333	\$ 0.18	1,849,333	\$ 0.26
Exercisable at end of period	1,691,333	\$ 0.18	1,205,333	\$ 0.32

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	3.4	1,648,000
\$0.65-\$2.50	43,333	\$0.65	0.3	43,333
	1,691,333	\$0.18	3.4	1,691,333

### Warrants

As at December 31, 2018 and the date of this report the Company had the following warrants outstanding:

	NUMBER OF WARRANTS	EXERCISE PRICE
Opening – December 31, 2017	382,884	\$ 0.21
Expired	382,884	\$ 0.21
Ending – December 31, 2018	-	\$ -

## RISK AND UNCERTAINTIES

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

- (i) assumptions about the price of zinc, lead, copper and other base metals;
- (ii) that there are no material delays in the exploration and drill programs on its properties;
- (iii) assumptions about operating costs and expenditures;
- (iv) assumptions about future production and recovery;
- (v) that the supply and demand for zinc, lead, and copper develops as expected;
- (vi) that there is no unanticipated fluctuation in foreign exchange rates; and
- (vii) that there is no material deterioration in general economic conditions.

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

- (i) decreases in the price of zinc, lead, and copper;
- (ii) the risk that the Company will continue to have negative operating cash flow;
- (iii) the risk that additional financing will not be obtained as and when required;
- (iv) material increases in operating costs;
- (v) adverse fluctuations in foreign exchange rates;
- (vi) environmental and political risks and changes in environmental and mining legislation;
- (vii) community relations risks associated with operating in Peru; and
- (viii) the risk that the Company will not be able to meet its continued listing requirements by the NEX.

## FORWARD-LOOKING STATEMENTS

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

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