

ZINCORE METALS INC.



For the Nine months Ended  
September 30, 2020 and 2019

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



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

For the Nine Months Ended September 30, 2020 and 2019  
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 nine months ended September 30, 2020 and 2019 is prepared as of November 24, 2020 and should be read in conjunction with the Company's unaudited financial statements for the nine months ended September 30, 2020 and the audited financial statements for the year ended December 31, 2019 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. As at the close of September 30, 2020, the Company no longer holds any exploration properties.

### *COVID-19*

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by almost all levels of government in Canada and around the World regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence, however, it has gotten demonstrably more difficult to conduct normal business tasks and source potential financing. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

## OUTLOOK

Increasing concerns about near-term global growth have had a very negative effect on the ability of non-precious metals junior resource companies to finance. 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. 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 to maintain its assets, 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

On January 21, 2019, the Company announced that that it had entered into a Letter of Intent ("LOI") dated January 13, 2019 with Mines & Metals Trading (Peru) PLC, ("MMTP") 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 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. Zincore and MMTP are working towards completing a Definitive Agreement.

Pursuant to the Transaction, 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.

On September 1, 2020, the Company combination with Mines & Metals Trading (Peru) PLC (“MMTP”) expired. Accordingly, the reverse takeover transaction of Zincore by MMTP, as originally announced January 21, 2019 and further reported on August 14th and December 24th of 2019 and March 12th, April 21st and July 3rd 2020, terminated at end of day. The Company resumed its search for ways to best create value for its shareholders and will update the market as information becomes available.

On September 28, 2020, the Company licensed the use of some historical exploration data to a third party for a fee. The data was collected from properties which the Company formerly held and explored, but no longer has any interest in. In exchange for granting the license to use the data, the third party has paid the Company a gross amount of US\$175,000, before any applicable taxes. Given the Company’s significant outstanding debts, management is considering all options for the funds to move the Company forward.

Given the global pandemic, the government of Peru enacted certain provisions which effectively extended the deadline for payments related to the maintenance of mineral properties claims from June 30, 2020 to September 30, 2020. Given the Company’s financial position, the Company did not make payments by this date to maintain its property claims. Accordingly, as at the close of September 30, 2020, the Company no longer holds claim to any mineral exploration properties.

## **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. As at the close of September 30, 2020, Zincore no longer holds any exploration properties.

## **OVERALL PERFORMANCE AND CURRENT ECONOMIC CONDITIONS**

The Company’s focus during the year of 2020 continued to be searching for partnership, 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.

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 September 30, 2020, the Company had negative working capital, comprised of current assets less current liabilities, totaling \$1,371,314 (December 31, 2019 - \$1,375,726). The Company continues to explore ways to raise new funds while continuing to minimize cash outflows and seeking ways to settle its outstanding payables.

## **PROPERTY REVIEW**

### **Accha Zinc Oxide District (“AZOD”) Project**

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

As at the close of September 30, 2020, the Company did not make necessary annual property claims payments and no longer holds any exploration properties related to the AZOD Project.

## RESULTS OF OPERATIONS

	THREE MONTHS ENDED		THREE MONTHS ENDED		NINE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2020		SEPTEMBER 30, 2019		SEPTEMBER 30, 2020		SEPTEMBER 30, 2019	
General exploration	\$	(10,187)	\$	(16,501)	\$	(31,853)	\$	(165,389)
General and administrative expenses (1)		(24,765)		(64,013)		(125,778)		(210,556)
Consulting and management fee		(15,000)		(18,000)		(51,000)		(51,000)
Foreign exchange gain (loss)		10,441		(3,718)		(13,974)		1,046
Other income		236,964		-		236,964		18
Gain on debt settlement		10,460		-		10,460		-
Net income (loss)	\$	207,913	\$	102,232	\$	24,819	\$	425,881

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

During the nine months ended September 30, 2020, the Company incurred a net income of \$24,819 comparing to the \$425,881 loss in 2019. During the three months ended September 30, 2020, the Company incurred a net income of \$207,913, comparing to a loss of \$102,232 in the same period in 2019. The difference was mainly due to positive other income and gain on settlement of debt in Q3 2020. During the current quarter, the Company licensed the use of some historical exploration data to a third party for a fee of US\$175,000 (\$236,964), which was recorded as other income. In addition, the company settled debt and payables with a gain of \$10,460. The Company also incurred lower exploration and G&A expense due to less exploration and corporate activities. The change in foreign exchange gain or loss was due to fluctuation of foreign exchange rates through the periods. The Company continued to reduce its business activities to conserve cash and other resources until it gets adequately capitalized.

## QUARTERLY FINANCIAL INFORMATION

FISCAL QUARTER ENDED	SEPT 30, 2020	JUN 30, 2020	MAR 31, 2020	DEC 31, 2019	SEPT 30, 2019	JUN 30, 2019	MAR 31, 2019	DEC 31, 2018
Other income	\$ 247,424	\$ -	\$ -	\$ 280,338	\$ -	\$ 18	\$ -	\$ 93
Net income (loss)	\$ 207,913	\$ (43,963)	\$ (139,131)	207,063	\$ (102,232)	\$ (214,575)	\$ (109,074)	\$ (100,903)
Gain(loss) per share	\$ 0.01	\$ (0.00)	\$ (0.01)	\$ 0.01	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Total assets	\$ 221,331	\$ 2,881	\$ 3,242	\$ 6,035	\$ 13,635	\$ 6,755	\$ 13,617	\$ 5,199
Total liabilities	\$ 1,592,645	\$ 1,595,496	\$ 1,583,935	\$ 1,381,761	\$ 1,616,136	\$ 1,493,586	\$ 1,308,823	\$ 1,211,874

### Three months ended September 30, 2020 vs. prior quarters in 2020, 2019, 2018

During the three months ended September 30, 2020, the Company incurred a net gain of \$207,913, which is highest than all previous quarters in 2018, 2019 and 2020. The net gain in current quarter was mainly due to positive other income and gain on settlement of debt in Q3 2020. During the current quarter, the Company licensed the use of some historical exploration data to a third party for a fee of US\$175,000 (\$236,964), which was recorded as other income. In addition, the company settled debt and payables with a gain of \$10,460. The Company also incurred lower exploration and G&A expense due to less exploration and corporate activities, as well as a foreign exchange gain of \$10,441 due to fluctuation of foreign exchange rate. During Q4, 2019, the Company incurred a net income of \$207,063, which is significantly higher income than previous quarters in 2019. The higher income was due to debt settlement and lower exploration and G&A costs.

### Other changes

Total liabilities continued to grow in the past quarters, as the Company continued to finance its activities through shareholder and third party loans. Total liabilities declined slightly from previous quarter mainly due to fluctuation of exchange rate on US dollar loans, and MMPT has forgiven a loan of US\$4,150 and accumulated interest. The Company continued to reduce its business activities to conserve cash and other resources until it gets adequately capitalized.

Total assets were declining throughout past years as the Company used up cash for operations, except in current quarter. Total assets were highest in current quarter, compared to all other historical quarters due to receiving cash from a transaction where the Company licensed the use of some historical exploration data to a third party for a fee of US\$175,000 (\$236,964). During 2019, the Company received funds from MMTP resulted in increased total assets. The fluctuation over the years was mainly due to the use of cash to fund its corporate expenses and general exploration activities.

## LIQUIDITY AND CAPITAL RESOURCES

	NINE MONTHS ENDED SEPTEMBER 30, 2020		NINE MONTHS ENDED SEPTEMBER 30, 2019	
Cash inflow (outflow) from operations	\$	209,390	\$	(189,172)
Cash inflows from financing activities	\$	6,814	\$	196,755
Increase in cash and cash equivalents	\$	216,204	\$	7,583
Cash and cash equivalents	\$	219,235	\$	10,240

As at September 30, 2020, the Company had working capital deficit of \$1,371,314 (December 31, 2019 - 1,375,726). The slight decrease in the working capital deficit was due to cash received as the Company licensed the use of some historical exploration data to a third party for a fee of US\$175,000 (\$236,964). This cash inflow was reduced by an increase in short term promissory notes as the Company continued to finance its activities through loans.

Cash inflow of \$209,390 from operations for the period ended September 30, 2020 was higher than a cash outflow of \$189,172 during the comparative period in 2019. This is because the Company received US\$175,000 (\$236,964) for licensing the use of some historical exploration data to a third party, and timing of settlement of account receivables and payables.

Cash inflows from financing activities for the nine months ended September 30, 2020 was \$6,814 as the Company received a third party loan. The Company received several third party loans totaled \$196,755 in 2019.

Cash flow from investing activities for the period ended September 30, 2020, and 2019 was \$nil.

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 in fiscal 2017, the Company is required to maintain Directors and Officers Insurance until February 2023. The Company's insurance obligation for September 30, 2021 is \$9,600.

	WITH 1 YEAR		OVER 1 YEAR		TOTAL	
Insurance	\$	9,600	\$	13,600	\$	23,200

## OFF-BALANCE SHEET TRANSACTIONS

The Company does not utilize off-balance sheet transactions.

## PROPOSED TRANSACTIONS

The Company does not have any proposed transactions as at September 30, 2020 other than as disclosed elsewhere in this document.

## 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 Collauyo S.A.C., arranged two unsecured loans with Jorge Benavides Alfaro, the CEO, for an aggregate of U.S. \$215,536. The Benavides loans 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 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.
- 4) 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.
- 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 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.
- 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 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 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 Collauyo 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 Collauyo 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 Collauyo 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, extended 90 days to August 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. The Company is currently negotiating terms of an extension. The Company repaid the loan principal plus interest on July 24, 2019.
- 15) Loan Settlement
  - a. 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 for year ended December 31, 2017.

- b. 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 for year ended December 31, 2017.
- c. 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 for year ended December 31, 2017.
- d. 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 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.

- 17) On August 8, 2019, the Company and Mr. Benavides entered into a debt settlement agreement providing for the settlement of the Benavides Debt through the issuance of common shares of Zincore (“Shares”) at a price per Share that shall be no less than the issue price per security of MMTP issued pursuant to the concurrent brokered private placement that MMTP will undertake in connection with the Transaction (the “Debt Settlement”). The Transaction settled of debts owed by Zincore to the Company’s CEO, Jorge Benavides, in the amount of US\$482,234 (the “Benavides Debt”). Assuming that the Shares are consolidated on a four-to-one basis in connection with the Transaction, Zincore will issue a maximum of 3,184,290 consolidated Shares pursuant to the Debt Settlement.

As at September 30, 2020, total of \$574,531 (U.S. \$430,715) (December 31, 2019 - \$543,653 (U.S. \$418,581)) is outstanding from shareholders, with Jorge Benavides being also a director and officer of the company. During the period ended September 30, 2020, the Company recorded accrued interest expenses of \$16,431 (2019 – \$31,972) related to these loans.

- 18) Compensation of key management personnel:

	NINE MONTHS ENDED SEPTEMBER 30, 2020	NINE MONTHS ENDED SEPTEMBER 30, 2019
Remuneration paid to CFO	51,000	45,000

As at September 30, 2020, related party accounts payable was \$152,250 (December 31, 2019 - \$247,063).

## PROMISSORY NOTE

As at September 30, 2020, the Company has eight promissory notes plus account payables in the principal amount of \$414,446 (USD\$273,659) (December 31, 2019 - \$353,438 (USD\$272,126)) which is due to Mines and Metals Trading (Peru) PLC (“MMTP”), an isle of man legal entity. These notes are unsecured, bears interest at 10% per annum, and is due in 6 months, and extended third 6 months for each.

Interest accrued on the Promissory Notes for the nine months ended September 30, 2020 was \$30,356 (December 31, 2019 - \$19,477) and included in the account payables and accrued liabilities.

- a) On January 15, 2019, the Company arranged an unsecured loan with MMTP, for US\$25,000. The loan, which matures in 6 months on July 15, 2019, extended 6 months to January 15, 2020, second extended 6 months to July 15, 2020, third extended 6 months to January 15, 2021, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- b) On February 15, 2019, the Company arranged an unsecured loan with MMTP, for US\$10,000. The loan, which matures in 6 months on August 15, 2019, extended 6 months to February 15, 2020, second extended 6 months to August 15, 2020, third extended 6 months to February 15, 2021, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- c) On February 27, 2019, the Company arranged an unsecured loan with MMTP, for US\$10,000. The loan, which matures in 6 months on August 27, 2019, extended 6 months to February 27, 2020, second extended 6 months to August 27, 2020, third extended 6 months to February 27, 2021, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- d) On March 21, 2019, the Company arranged an unsecured loan with MMTP, for US\$10,000. The loan, which matures in 6 months on September 21, 2019, extended 6 months to March 21, 2020, second extended 6 months to September 21, 2020, third extended 6 months to March 21, 2021, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- e) On June 26, 2019, the Company arranged an unsecured loan with MMTP, for US\$50,000. The loan, which matures in 6 months on December 26, 2019, extended 6 months to June 26, 2020, second extended 6 months to December 26, 2020, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- f) On June 27, 2019, USD\$82,800 were sent directly from MMTP to pay for concession fees on behalf of the Company. The loan, which matures in 6 months on December 27, 2019, extended 6 months to June 27, 2020, second extended 6 months to December 27, 2020, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.

- g) On July 19, 2019, the Company arranged an unsecured loan with MMTP, for US\$50,000. The loan, which matures in 6 months on January 19, 2020, extended 6 months to July 19, 2020, second extended 6 months to January 19, 2021, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- h) On August 21, 2019, USD\$4,150 were sent directly from MMTP to pay for Acclaim IOM company incorporation management fee on behalf of the Company. The loan, which matures in 6 months on February 21, 2020, extended 6 months to August 21, 2020, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.

On September 18, 2020, this loan was forgiven by MMTP in exchange for the ownership of a dormant subsidiary of Zincore. A gain of \$6,610 was recognized from the settlement of debt.

- i) On November 5, 2019, the Company arranged an unsecured loan with MMTP, for US\$30,000. The loan, which matures in 6 months on May 5, 2020, extended 6 months to November 5, 2020, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- j) On March 10, 2020, the Company arranged an unsecured loan with MMTP, for US\$5,000. The loan, which matures in 6 months on September 10, 2020, extended 6 months to March 10, 2021, carries an interest rate of 10% compounded monthly. The Loan principal and applicable accrued interest are to be repaid at maturity, with any early repayment at the option of the Company.
- k) During the year ended December 31, 2019, USD\$176 was sent directly from MMTP to pay tax on behalf of the Company.
- l) During the nine months ended September 30, 2020, USD\$682 (2019 - \$nil) was sent directly from MMTP to settle debt on behalf of the Company.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation. The following table summarize the Company's financial instruments as at September 30, 2020 and December 31, 2019.

	SEPTEMBER 30, 2020		DECEMBER 31, 2019	
	Carrying Amount (\$)	Fair Value (\$)	Carrying Amount (\$)	Fair Value (\$)
<b>FINANCIAL ASSETS</b>				
Fair value through profit or loss				
Cash and cash equivalents	219,235	219,235	3,031	3,031
Other receivables	1,331	1,331	3,004	3,004
<b>FINANCIAL LIABILITIES</b>				
Accounts payable and accrued liabilities	571,240	571,240	441,183	441,183
Shareholder loan	574,531	574,531	535,235	535,235
Promissory note	414,446	414,446	372,915	372,915
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 I            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 period ended September 30, 2020. 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, 2019; 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 September 30, 2020 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 September 30, 2020 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 September 30, 2020 and the date of this report:

	AT SEPTEMBER 30, 2020		AT DECEMBER 31, 2019	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	848,000	\$ 0.17	1,691,333	\$ 0.18
Expired and cancelled	-	\$ -	(843,333)	\$ 0.20
Outstanding at end of period	848,000	\$ 0.17	848,000	\$ 0.17
Exercisable at end of period	848,000	\$ 0.17	848,000	\$ 0.17

EXERCISE PRICE RANGE	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING YEARS	NUMBER OF OPTIONS EXERCISABLE
\$0.01-\$0.50	848,000	\$0.17	1.73	848,000
	848,000	\$0.17	1.73	848,000

### Warrants

As at date of the report and September 30, 2020 the Company has no warrants outstanding.

## 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.