

ZINCORE METALS INC.



For the Years Ended
December 31, 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 Years Ended December 31, 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 year ended December 31, 2020 and 2019 is prepared as of April 29, 2021 and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020 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 or on the SEDAR website at www.sedar.com. Additional information relating to the Company is also available on SEDAR at www.sedar.com.

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

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 December 31, 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

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 December 31, 2020, the Company no longer holds claim to any mineral exploration properties.

On December 15, 2020, Allan Williams resigned from the Company's Board of Directors. Concurrently, the Company also announced that it appointed Sam Wong to its Board.

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 December 31, 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 December 31, 2020, the Company had negative working capital, comprised of current assets less current liabilities, totaling \$1,369,100 (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.

As the Company did not make the necessary property claims payment on September 30, 2020 (due date); as at the close of December 31, 2020, the Company no longer holds any exploration properties related to the AZOD Project.

RESULTS OF OPERATIONS

	YEAR ENDED DECEMBER 31, 2020		YEAR ENDED DECEMBER 31, 2019		YEAR ENDED DECEMBER 31, 2018	
General exploration	\$	(8,969)	\$	(154,449)	\$	(239,508)
General and administrative expenses (1)		(191,262)		(284,258)		(167,135)
Consulting and management fee		(60,000)		(69,000)		(36,000)
Stock-based compensation		-		-		(75,307)
Foreign exchange gain (loss)		8,308		8,533		(10,358)
Other income		234,754		18		14,924
Gain on debt settlement		10,503		280,338		-
Net income (loss)	\$	(6,666)	\$	(218,818)	\$	(513,384)
Total assets	\$	110,097	\$	6,035	\$	5,199
Total non-current financial liabilities	\$	-	\$	-	\$	310,502
Total dividend declared	\$	-	\$	-	\$	-

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

During the year ended December 31, 2020, the Company incurred a net loss of \$6,666 which is a lower loss when comparing to a loss of \$218,818 in 2019, and a loss of \$513,384 in 2018. The difference was mainly due to positive other income and gain on settlement of debt in Q3 2020. During 2020, the Company licensed the use of some historical exploration data to a third party for a fee of US\$175,000 (\$236,964) and recorded it as other income. In addition, the company settled debt and payables with a gain of \$10,503. The Company also incurred less exploration and G&A expense due to less exploration and corporate activities. During 2019, the Company incurred significantly higher G&A expense than 2020 and 2018 due to increased legal and professional costs and interest expense. The Company was in progress of a reverse takeover (RTO) transaction with Mines & Metals Trading (Peru) PLC. (MMTP) in 2019 and resulted in higher legal and professional fees. As all share options are vested, there was no share-based compensation expense in 2020 and 2019.

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.

Total assets were declining throughout past years as the Company used up cash for operations. Total assets were highest in 2020, when compared to 2020 and 2019 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). Non-current financial liabilities have decreased as they had been classified as current as it got closer to maturity.

QUARTERLY FINANCIAL INFORMATION

FISCAL QUARTER ENDED	DEC 31, 2020	SEPT 30, 2020	JUN 30, 2020	MAR 31, 2020	DEC 31, 2019	SEPT 30, 2019	JUN 30, 2019	MAR 31, 2019
Other income	\$ 43	\$ 247,424	\$ -	\$ -	\$ 280,338	\$ -	\$ 18	\$ -
Net income (loss)	\$ 6,626	\$ 207,913	\$ (43,963)	\$ (139,131)	207,063	\$ (102,232)	\$ (214,575)	\$ (109,074)
Gain(loss) per share	\$ (0.00)	\$ 0.01	\$ (0.00)	\$ (0.01)	\$ 0.01	\$ (0.01)	\$ (0.01)	\$ (0.01)
Total assets	\$ 110,097	\$ 221,331	\$ 2,881	\$ 3,242	\$ 6,035	\$ 13,635	\$ 6,755	\$ 13,617
Total liabilities	\$ 1,479,197	\$ 1,592,645	\$ 1,595,496	\$ 1,583,935	\$ 1,381,761	\$ 1,616,136	\$ 1,493,586	\$ 1,308,823

Three months ended December 31, 2020 vs. prior quarters in 2020, 2019

During the three months ended December 31, 2020, the Company incurred a net income of \$6,626, which is a higher income than all previous quarters in 2019 and 2020, except for Q2, 2020, and Q4 2019. The net gain in Q3 2020 was mainly due to positive other income and gain on settlement of debt. The Company licensed the use of some historical exploration data to a third party for a fee of US\$175,000 (\$236,964) and recorded it as other income. In addition, the company settled debt and payables with a gain of \$10,460. During Q4, 2019, the Company incurred a net income of \$207,063 due to debt settlement and lower exploration and G&A costs. In Q4 2020, the Company incurred lower exploration and G&A expense due to less exploration and corporate activities. In addition, the Company cancelled a US\$27,500 contract to rent drill holes as the transaction with MMTP ended. The Company also had a foreign currency translation gain due to fluctuation of foreign exchange rate. The lower cost and the foreign exchange gain resulted in a positive income in the current quarter.

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 quarters mainly due to fluctuation of exchange rate on US dollar loans. In addition, 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. Total assets were highest in Q3 2020, compared to all other historical quarters in 2020 and 2019 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

	YEAR ENDED DECEMBER 31, 2020	YEAR ENDED DECEMBER 31, 2019	YEAR ENDED DECEMBER 31, 2018
Cash inflow (outflow) from operations	\$ 97,199	\$ (231,392)	\$ (344,970)
Cash inflows from financing activities	\$ 6,814	\$ 231,766	\$ 323,531
Increase (decrease) in cash and cash equivalents	\$ 104,013	\$ 374	\$ (21,439)
Cash and cash equivalents	\$ 107,044	\$ 3,031	\$ 2,657

As at December 31, 2020, the Company had working capital deficit of \$1,369,100 (December 31, 2019 - 1,375,726). During 2020, 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. This resulted in a slight increase in working capital deficit.

The cash inflow of \$97,199 from operations in 2020 was higher when comparing to outflows of \$231,392 in 2019 and \$344,970 in 2018. 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 year ended December 31, 2020 was \$6,814, as the Company received a third party loan. The Company received several third party loans totaled \$231,766 in 2019, and \$323,531 in 2018.

Cash flow from investing activities for the years ended December 31, 2020, 2019, and 2018 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 2021 is \$10,000.

	WITH 1 YEAR	OVER 1 YEAR	TOTAL
Insurance	\$ 10,000	\$ 11,667	\$ 21,667

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 December 31, 2020 other than as disclosed elsewhere in this document.

RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries and key management. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

Short-term employee benefits include salaries payable within twelve months of the statement of financial position date and other annual employee benefits.

The Company incurred the following expenses with related parties during the year ended December 31, 2020 and 2019:

- 1) As at December 31, 2020, the Company had \$548,387 (December 31, 2019 - \$535,235) of shareholder loans outstanding (see note 4) and \$145,439 (2019 - \$148,363) of unpaid CEO consulting fees outstanding which are included in accounts payable and accrued liabilities.
- 2) For the year ended December 31, 2020, the Company recorded \$60,000 (2019 - \$69,000) of consulting fees for the services provided by the CFO.
- 3) For the year ended December 31, 2020, the Company recorded \$6,000 (2019 - \$nil) of director's fees and \$9,000 (2019- \$nil) of consulting fee to a director.
- 4) As at December 31, 2020, related party accounts payable was \$161,700 (December 31, 2019 - \$247,063), which includes unpaid consulting fees with related parties.

PROMISSORY NOTE

As at December 31, 2020, the Company has eight promissory notes plus account payables in the principal amount of \$348,746 (US\$273,913) (December 31, 2019 - \$353,438 (US\$272,126) which is due to Mines and Metals Trading (Peru) PLC ("MMTP"), an Isle of Man legal entity. These notes are unsecured and bear interest at 10% per annum with various maturity dates.

MMTP is not a related party to the Company.

Interest accrued on the Promissory Notes for the year ended December 31, 2020 was \$57,087 (2019 - \$19,477). As at December 31, 2020, the Company agreed to the following terms:

- 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, third extended 6 months to June 26, 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.
- f) On June 27, 2019, US\$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, third extended 6 months to June 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.
- 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, US\$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, US\$176 was sent directly from MMTP to pay tax on behalf of the Company.
- l) During the year ended December 31, 2020, US\$936 (2019 - \$nil) was sent directly from MMTP to settle debt on behalf of the Company.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

A) FAIR VALUE ESTIMATION

The fair values of the Company's cash and cash equivalents, prepaid and other receivables and accounts payable approximate their carrying values due to their short term nature. The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk with respect to currency risk and interest risk. The following table summarize the Company's financial instruments as at December 31, 2020 and December 31, 2019:

	DECEMBER 31, 2020		DECEMBER 31, 2019	
	Carrying Amount (\$)	Fair Value (\$)	Carrying Amount (\$)	Fair Value (\$)
FINANCIAL ASSETS				
Fair value through profit or loss				
Cash and cash equivalents	107,044	107,044	3,031	3,031
FINANCIAL LIABILITIES				
Accounts payable and accrued liabilities	492,549	492,549	441,183	441,183
Shareholder loan	548,387	548,387	535,235	535,235
Promissory note	405,833	405,833	372,915	372,915
Other liabilities	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 Fair values of financial instruments

The Company has classified all of its financial assets at Level 1.

Accounts payables and accrued liabilities and other liabilities are classified as other financial liabilities.

Shareholder loans and promissory note are presented on an amortized cost basis and will be accreted to its face amount over the term to maturity of the loan at an effective interest rate.

B) LIQUIDITY RISK

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

The Company is continuously evaluating alternatives in order to raise additional capital to increase liquidity and to cut costs where possible, but there's no certainty that additional capital will be raised. As at December 31, 2020, cash and cash equivalents was \$107,044 (December 31, 2019 - \$3,031).

C) CURRENCY RISK

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

As at December 31, 2020, a 10% weakening in the U.S. dollar relative to the Canadian dollar would increase the net gain by approximately \$119,105 (December 31, 2019 - \$80,442) with a 10% strengthening having the opposite effect.

D) INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through the interest earned on cash and cash equivalents, as at December 31, 2020 and December 31, 2019, there's no material impact if there is a 1% increase or decrease in short term rates.

E) CREDIT RISK

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash. The carrying amount of the financial assets represents the maximum credit exposure. The Company's cash is held through large Canadian financial institutions.

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 year ended December 31, 2020.

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (Note 2(o)), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are related to the items below:

Critical Judgments

The followings are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- i. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- ii. Management is required to assess the Company as a going concern.
- iii. Management is required to assess the functional currency of each entity of the Company.
- iv. Management is required to assess impairment in respect of its investment in mineral properties. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful, and some assets are likely to become impaired in future periods.
- v. Although, the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Significant accounting estimates

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

and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting Estimates and Assumptions

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- vi. Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date, an additional liability could result from audits by taxing authorities. Where the final outcomes of these tax-related matters are different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- vii. Management estimates the fair values of share-based payment arrangements using the Black-Scholes option pricing model.

CHANGES IN ACCOUNTING POLICIES

No changes in accounting policies were identified as at December 31, 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 December 31, 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 December 31, 2020 and the date of this report:

	AT DECEMBER 31, 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	(160,000)	\$ 0.25	(843,333)	\$ 0.20
Outstanding at end of year	688,000	\$ 0.15	848,000	\$ 0.17
Exercisable at end of year	688,000	\$ 0.15	848,000	\$ 0.17

EXPIRY DATE	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING YEARS	NUMBER OF OPTIONS EXERCISABLE
November 13, 2022	688,000	\$0.15	1.86	688,000
	688,000	\$0.15	1.86	688,000

Warrants

As at date of the report and December 31, 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.