

**ZINCORE METALS INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2022 and 2021**

**(In Canadian Dollars)**

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholders of Zincore Metals Inc.**

#### **Opinion**

We have audited the consolidated financial statements of Zincore Metals Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficit, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### **Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had no revenues, had negative cash flows from operations, and incurred a comprehensive loss of \$94,351 during the year ended December 31, 2022 and, as of that date, the Company had a working capital deficit of \$1,823,929 and an accumulated deficit of \$68,322,958. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Key Audit Matters**

We have determined that there are no key audit matters to communicate in our report.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Henry Chow.

The image shows a handwritten signature in black ink that reads "SATURNA GROUP LLP". The letters are written in a cursive, flowing style.

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

April 27, 2023

**ZINCORE METALS INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*(Expressed in Canadian dollars)*

	Notes	December 31, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 3,088	\$ 10,510
Other receivables		2,108	4,133
<b>Total Assets</b>		<b>\$ 5,196</b>	<b>\$ 14,643</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	5	\$ 26,131	\$ 760,647
Promissory notes	4	1,802,994	437,514
Shareholder loan	5	-	546,060
<b>Total liabilities</b>		<b>1,829,125</b>	<b>1,744,221</b>
<b>Shareholders' Deficit</b>			
Share capital		57,015,123	57,015,123
Reserves		9,483,906	11,879,724
Deficit		(68,322,958)	(70,624,425)
<b>Total shareholders' deficit</b>		<b>(1,823,929)</b>	<b>(1,729,578)</b>
<b>Total Liabilities and Shareholders' Deficit</b>		<b>\$ 5,196</b>	<b>\$ 14,643</b>

Going Concern (note 1)  
Subsequent Event (note 9)

Approved for issuance by the Board of Directors:

/s/ Matthew Roma

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Matthew Roma, Director

/s/ Ramon Perez

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Ramon Perez, Director

*The accompanying notes are an integral part of the consolidated financial statements.*

**ZINCORE METALS INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
*(Expressed in Canadian dollars)*

	Notes	For the years ended December 31,	
		2022	2021
<b>EXPENSES</b>			
Consulting and management fees	5	\$ 17,300	\$ 36,000
Foreign exchange loss		26,547	4,678
General administration		39,354	32,645
Interest expense		-	31,804
Professional fees	5	42,152	37,764
<b>NET LOSS BEFORE OTHER ITEMS</b>		<b>(125,353)</b>	<b>(142,891)</b>
<b>OTHER ITEMS</b>			
Gain on disposition of subsidiaries	2	2,395,590	-
Gain on debt settlement	5	31,230	49,458
<b>NET INCOME (LOSS)</b>		<b>2,301,467</b>	<b>(93,433)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Foreign currency translation	2	(2,395,818)	7,766
<b>COMPREHENSIVE LOSS</b>		<b>(94,351)</b>	<b>(85,667)</b>
<b>Earnings (loss) per share – basic and diluted</b>		<b>\$ 0.12</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>		<b>19,106,338</b>	<b>19,106,338</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

**ZINCORE METALS INC.****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT***(Expressed in Canadian dollars, except share number)*

	Common Shares		Reserves			Deficit	Total Shareholders' Deficit
	Number	Amount Received	Share-Based Payment	Warrants	Foreign Currency Translation		
		\$	\$	\$	\$	\$	\$
<b>BALANCE, December 31, 2020</b>	<b>19,106,338</b>	<b>57,015,123</b>	<b>4,585,368</b>	<b>4,898,538</b>	<b>2,388,052</b>	<b>(70,530,992)</b>	<b>(1,643,911)</b>
Net loss for the year	-	-	-	-	-	(93,433)	(93,433)
Foreign currency translation	-	-	-	-	7,766	-	7,766
<b>BALANCE, December 31, 2021</b>	<b>19,106,338</b>	<b>57,015,123</b>	<b>4,585,368</b>	<b>4,898,538</b>	<b>2,395,818</b>	<b>(70,624,425)</b>	<b>(1,729,578)</b>
Net income for the year	-	-	-	-	-	2,301,467	2,301,467
Foreign currency translation	-	-	-	-	(2,395,818)	-	(2,395,818)
<b>BALANCE, December 31, 2022</b>	<b>19,106,338</b>	<b>57,015,123</b>	<b>4,585,368</b>	<b>4,898,538</b>	<b>-</b>	<b>(68,322,958)</b>	<b>(1,823,929)</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

**ZINCORE METALS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Expressed in Canadian dollars)*

	Notes	Years ended December 31,	
		2022	2021
<b>OPERATING ACTIVITIES</b>			
Net income (loss) for the year		\$ 2,301,467	\$ (93,433)
Items not affecting cash:			
Gain on debt settlement		(31,230)	(49,458)
Gain on disposition of subsidiaries		(2,395,590)	-
Foreign exchange gain		19,913	4,678
Changes in non-cash working capital items:			
Other receivables		2,025	(1,080)
Accounts payable and accrued liabilities		10,057	42,759
Net Cash Used In Operating Activities		(93,358)	(96,534)
<b>FINANCING ACTIVITIES</b>			
Proceeds from promissory note		85,936	-
Net Cash Provided By Financing Activities		85,936	-
<b>Change in Cash</b>		<b>(7,422)</b>	<b>(96,534)</b>
<b>Cash, Beginning of year</b>		<b>10,510</b>	<b>107,044</b>
<b>Cash, End of year</b>		<b>\$ 3,088</b>	<b>\$ 10,510</b>
<b>Non-cash investing and financing activities:</b>			
Assignment of shareholder loan to promissory note		546,060	-
Assignment of accounts payable to promissory note		733,484	-

*The accompanying notes are an integral part of the consolidated financial statements.*

## **ZINCORE METALS INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

*(Expressed in Canadian dollars)*

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#### **1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS**

Zincore Metals Inc. (“Zincore” or 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. The Company is located at 1030 West Georgia Street, Suite 1012, Vancouver BC, V6E 2Y3, is an exploration company focused on the identification, acquisition, exploration, evaluation and development of zinc and related base metals projects in Peru. Its primary objective is to define economically feasible projects through focused exploration and to develop, joint venture, or sell properties of economic merit. In 2019, the Company announced a potential transaction which halted the Company’s common shares in trading. In 2020, the Company mutually terminated transaction with the targeted company. The Company resumed trading on July 12, 2022 and is currently looking for other ventures to build value for its shareholders. As at December 31, 2022 and 2021, the Company no longer holds any exploration properties.

These consolidated financial statements have been prepared on a going concern basis. Zincore has not been generating cash flows from operations and Zincore would need to raise additional funds through future issuance of securities, loans, or other financing. Although Zincore has been successful in raising funds in the past, there is no assurance that sufficient funds could be raised in the future in which case Zincore might not be able 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. During the year ended December 31, 2022, the Company had no revenues and, as of December 31, 2022, the Company incurred cumulative losses of \$68,322,958 since inception, has a working capital deficit of \$1,823,929, and is unable to pay all of its commitments as they come due. The Company is currently pursuing its alternatives for financing, including potential partnerships. These factors indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Should Zincore be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the consolidated statements of financial position.

During March 2020, there was a global outbreak of COVID-19, which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, the future impacts of COVID-19 to operations are highly uncertain and cannot be predicted with confidence. 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. For the years ended December 31, 2022 and 2021, the impact of COVID-19 has been minimal to the Company.

**ZINCORE METALS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
*(Expressed in Canadian dollars)*

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**2. SIGNIFICANT ACCOUNTING POLICIES**

(a) Basis of Presentation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These consolidated financial statements have been approved for issuance by the Board on April 27, 2023.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value as described in Note 6. All figures presented in these consolidated financial statements are in Canadian dollars, unless otherwise indicated.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned inactive subsidiaries. All amounts are expressed in Canadian dollars, unless otherwise stated. Intercompany transactions and balances between the Company and its wholly-owned subsidiaries are eliminated on consolidation. The principal subsidiaries of Zincore and their geographic locations at December 31, 2022 were as follows:

			OWNERSHIP	
	COUNTRY	COMPANY TYPE	2022	2021
Polymex Resources Ltd.	Canada	Holding company	100%	100%
Antacollo SAC (“ANTA”)	Peru	Exploration company	-	100%
Exploraciones Collasuyo SAC (“ECY”)	Peru	Exploration company	-	100%

During year ended December 31, 2022, the Company disposed its Peruvian subsidiaries, ANTA and ECY. The disposition resulted a reclassification of AOCI balance of \$2,395,818 to a non-cash disposition gain of subsidiaries.

(b) Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of issuance, are readily convertible into known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

**ZINCORE METALS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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*(Expressed in Canadian dollars)*

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(c) Use of Estimates and Judgments

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

Significant areas requiring the use of estimates include unrecognized deferred income tax assets.

The Company applies judgment in: (i) the application of the going concern assumption, which requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period; (ii) classification of financial assets and liabilities in accordance with IFRS 9; and (iii) the determination of functional currency for each of the Company's entities.

(d) Foreign Currency Translation

The presentation currency of the Company is the Canadian dollar. The functional currency of Zincore Metals Inc. and Polymex Resources Ltd. is the Canadian dollar. The functional currency of Antacollo SAC and Exploraciones Collasuyo S.A.C. is the United States dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21"). Assets and liabilities of the Company's subsidiaries are translated into the presentation currency using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e., the average rate for the period). Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency are recognized directly in other comprehensive income (loss) and in accumulated other comprehensive income. Transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the consolidated statement of financial position. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**ZINCORE METALS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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*(Expressed in Canadian dollars)*

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(e) Financial Instruments

*Non-derivative financial assets*

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (loss) (“FVOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income (loss).

The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Cash is measured at amortized cost with subsequent impairments recognized in the consolidated statement of operations.

*Impairment*

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statement of operations for the period. The Company recorded a bad debt expense based on the expected credit loss model.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the consolidated statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

*Non-derivative financial liabilities*

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company’s accounts payable and accrued liabilities, shareholder loan, and promissory notes payable are measured at amortized cost.

**ZINCORE METALS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
*(Expressed in Canadian dollars)*

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(e) Financial Instruments (continued)

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in the consolidated statement of operations.

*Derivative financial instruments*

If the Company issues warrants exercisable in a currency other than the Company's functional currency, the warrants will be considered as derivative financial instruments.

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value with changes in fair value recognized in the consolidated statement of operations. Transaction costs are recognized in the consolidated statement of operations as incurred.

(f) Income Tax

Income tax on the net income (loss) for the periods presented comprises of current and deferred income tax. Income tax is recognized in the consolidated statement of operations except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at year end. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities, when they relate to income taxes levied by the same taxation authority, and when the Company intends to settle its tax assets and liabilities on a net basis.

(g) Income (Loss) Per Share

Loss per share is calculated using the weighted average number of shares outstanding during the reporting period. The Company uses the treasury stock method for computing diluted loss per share. This method assumes that any proceeds obtained upon exercise of outstanding options or warrants would be used to purchase common shares at the average market price during the period. As the Company has recorded a net loss for each of the periods presented, basic and diluted net loss per share are the same as the exercise of stock options or share purchase warrants are anti-dilutive. As at December 31, 2022, the Company had nil (2021 - 688,000) potentially dilutive shares relating to outstanding stock options.

**ZINCORE METALS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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*(Expressed in Canadian dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(h) Comprehensive Income

Comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources, and comprises net income or loss and other comprehensive income or loss.

(i) New Accounting Standards and Interpretations

A number of new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2022 and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations were either not applicable or are not expected to have material impact on the Company's consolidated financial statements.

**3. SHARE CAPITAL**

Authorized: Unlimited common shares without par value

*Stock Options*

A summary of the Company's stock options is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding, December 31, 2020 and 2021	688,000	\$ 0.15
Expired	(688,000)	0.15
Outstanding, December 31, 2022	-	\$ -

**4. PROMISSORY NOTES**

- (a) As of December 31, 2022, the Company owed \$1,802,994 (2021 - \$nil) of promissory notes to a non-related party, which is unsecured, non-interest bearing, and due on demand. During the year ended December 31, 2022, the non-related party assumed \$733,484 of the Company's accounts payable and accrued liabilities, \$437,514 of a previously issued promissory note (refer to Note 4(b)), \$546,060 of shareholder loans (refer to Note 5), and contributed a further \$85,936 of financing to the Company.
- (b) As at December 31, 2022, the Company owed \$nil (2021 - \$437,514) of promissory notes to a non-related party, which was unsecured, bears interest at 10% per annum, and due on demand. During the year ended December 31, 2022, the note holder assigned its full interest in the promissory note to another party in a private transaction. Refer to Note 4(a).

**ZINCORE METALS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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*(Expressed in Canadian dollars)*

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## **5. 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 consolidated statement of financial position date and other annual employee benefits.

- (a) As of December 31, 2022, the Company had \$nil (2021 - \$546,060) of shareholder loans outstanding. Refer to Note 4(a).
- (b) As at December 31, 2022, the Company owed \$nil (2021 - \$144,185) to the Chief Executive Officer of the Company for outstanding consulting fees, which are included in accounts payable and accrued liabilities.
- (c) For the year ended December 31, 2022, the Company incurred \$7,000 (2021 - \$nil) of consulting fees for the services provided by the Chief Financial Officer.
- (d) For the year ended December 31, 2022, the Company incurred \$10,300 (2021 - \$36,000) of consulting fees to a company controlled by a Director and former CFO of the Company.
- (e) For the year ended December 31, 2022, the Company incurred \$nil (2021 - \$12,000) of accounting fees.
- (f) As of December 31, 2022, the Company owed \$17,300 (2021 - \$199,500) of consulting fees to officers and directors of the Company. During the year ended December 31, 2022, a company controlled by the former CFO forgave amounts owing of \$18,900 (2021 - \$nil) to the Company, which was recorded as a gain on settlement of debt.

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors or companies with common directors of the Company

## **6. FINANCIAL INSTRUMENTS**

### **Fair Value**

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 fair values of the Company's cash, accounts payable and accrued liabilities, promissory notes, and shareholder loan approximate their carrying values due to their short-term nature.

**ZINCORE METALS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
*(Expressed in Canadian dollars)*

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**6. FINANCIAL INSTRUMENTS (continued)**

**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 its operations. The Company's cash assets are held in demand accounts in Canada.

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 of December 31, 2022, cash was \$3,088 (2021 - \$10,510).

**Currency Risk**

Currency risk is the risk that the fair value of 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 Canadian dollars. As at December 31, 2022, a 10% weakening in the U.S. dollar relative to the Canadian dollar would increase the net income (loss) by \$nil (2021 - \$98,357) with a 10% strengthening having the opposite effect.

**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, as of December 31, 2022 and 2021, there's no material impact if there is a 1% increase or decrease in short term rates.

**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.

**7. CAPITAL MANAGEMENT**

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

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**7. CAPITAL MANAGEMENT** (continued)

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total equity for owners	\$ (1,823,929)	\$ (1,729,578)
Less: cash	(3,088)	(10,510)
	<u>(1,827,017)</u>	<u>(1,740,088)</u>

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

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

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

**8. INCOME TAXES**

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

	2022	2021
	\$	\$
Net income (loss) before tax	2,301,467	(93,433)
Canadian statutory income tax rate	27%	27%
Income taxes expense (recovery) computed at statutory rate	621,396	(25,227)
Foreign exchange rate difference and other	-	(324)
Permanent differences	(646,810)	-
Change in deferred tax asset not recognized	25,414	25,551
Income tax recovery	-	-

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**8. INCOME TAXES (continued)**

The significant components of deferred income tax assets and liabilities are as follows:

	December 31, 2022	December 31, 2021
	\$	\$
<b>Canada</b>		
Non-capital loss carry forwards	5,085,370	5,059,956
Net capital loss carry forwards	9,537,119	9,537,119
Property and equipment	10,463	10,463
Unrecognized deferred income tax assets	(14,632,952)	(14,607,538)
	-	-

As at December 31, 2022, the Company has non-capital losses carried forward of \$18,834,702 which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	Tax loss
2026	1,165,006
2027	1,311,460
2028	1,590,101
2029	1,422,597
2030	2,517,719
2031	3,094,868
2032	2,308,079
2033	1,464,550
2034	2,871,637
2035	117,681
2036	211,349
2037	25,689
2038	125,253
2039	235,556
2040	191,882
2041	87,152
2042	94,123
	18,834,702

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**8. INCOME TAXES** (continued)

As at December 31, 2022, the Company has capital loss carry forwards of \$9,537,119 which may be carried forward indefinitely and apply to reduce future capital gain.

**9. SUBSEQUENT EVENT**

On February 14, 2023, the Company issued 19,080,000 flow-through units at \$0.01 per unit for proceeds of \$190,800. Each unit consisted of one common share of the Company and one common share purchase warrant, where each warrant entitles the holder to acquire one common share at an exercise price of \$0.05 per share for a period of 12 months from the closing date.