ZINCORE METALS INC.

Consolidated Financial Statements

For the Nine Month Period Ended December 31, 2006 and
Period from September 21, 2005 to March 31, 2006

TO THE SHAREHOLDERS OF ZINCORE METALS INC.

We have audited the consolidated balance sheets of Zincore Metals Inc. as at December 31, 2006 and March 31, 2006 and the consolidated statements of loss and deficit and cash flows for the nine month period ended December 31, 2006 and for the period from September 21, 2005 (date of incorporation) to March 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and March 31, 2006 and the results of its operations and its cash flows for the nine month period ended December 31, 2006 and for the period from September 21, 2005 to March 31, 2006 in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
March 14, 2007

	December 31 2006	March 31 2006
ASSETS		
Current		
Cash and cash equivalents	**$ 17,672,092**	$ 241,257
Advances and other receivables	**166,932**	12,259
	17,839,024	253,516
Other assets	**75,340**	–
Property, plant and equipment NOTE 4	**120,867**	62,239
Mineral properties NOTE 5	**3,891,946**	2,110,388
	$ 21,927,177	$ 2,426,143
LIABILITIES		
Current		
Accounts payable and accrued charges	**$ 450,314**	$ 4,137
Due to affiliated companies NOTE 9	**56,066**	2,550,730
	506,380	2,554,867
SHAREHOLDERS' EQUITY (DEFICIENCY IN ASSETS)		
Share capital NOTE 6	**22,287,531**	1
Contributed surplus	**828,294**	–
Deficit	**(1,695,028)**	(128,725)
	21,420,797	(128,724)
	$ 21,927,177	$ 2,426,143

See accompanying notes to consolidated financial statements

APPROVED BY THE BOARD

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CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

	Nine months ended December 31 2006	Period from September 21, 2005* to March 31 2006
EXPENSES		
Consulting and management fees	$ 499,728	$ 6,943
General exploration	389,919	3,478
Foreign exchange gain	(12,155)	(3,973)
Legal and accounting	74,808	22,350
Stock-based compensation NOTE 6	433,094	–
Shareholder information	130,605	–
Office expense	84,646	186
Travel	76,807	–
Loss before undernoted items	(1,677,452)	(28,984)
Interest and other income	111,149	640
Net loss for the period	(1,566,303)	(28,344)
Deficit at beginning of period	(128,725)	–
Related party transaction NOTE 3	–	(100,381)
Deficit at end of period	$ (1,695,028)	$ (128,725)
Loss per share – basic and diluted	$ (0.06)	$ N/A
Weighted-average number of shares outstanding	24,401,455	1

See accompanying notes to consolidated financial statements

*Date of Incorporation

	Nine months ended December 31 2006	Period from September 21, 2005 * to March 31 2006
OPERATING ACTIVITIES		
Net loss for the period	**$ (1,566,303)**	$ (28,344)
Items not involving cash		
Depreciation	**332**	–
Stock-based compensation	**433,094**	–
	(1,132,877)	(28,344)
Change in non-cash operating working capital items		
Increase in advances and other receivables	**(127,230)**	–
Increase in accounts payable and accrued charges	**172,218**	–
Cash used in operating activities	**(1,087,889)**	(28,344)
INVESTING ACTIVITIES		
Additions to other assets	**(75,340)**	–
Additions to property, plant and equipment	**(77,010)**	(63,753)
Mineral property expenditures	**(1,409,181)**	(80,955)
Cash used in investing activities	**(1,561,531)**	(144,708)
FINANCING ACTIVITIES		
Loans from affiliated company	**–**	414,309
Shares issued	**20,080,255**	–
Cash provided by financing activities	**20,080,255**	414,309
Increase in cash and cash equivalents during the period	**17,430,835**	241,257
Cash and cash equivalents at beginning of period	**241,257**	–
Cash and cash equivalents at end of period	**$ 17,672,092**	$ 241,257
Cash and cash equivalents consist of:		
Cash	**$ 12,672,936**	$ 241,257
Short-term investments	**4,999,156**	–
	$ 17,672,092	$ 241,257
Non-cash investing and financing item		
Mineral properties contributed by an affiliated company	**$ –**	$ 2,029,433
Debt owing to Southwestern settled for 36,599,999 common shares	**$ 4,402,476**	$ –
Interest paid	**$ 11,884**	$ –
Interest received	**$ 96,051**	$ 636

See accompanying notes to consolidated financial statements

*Date of Incorporation

Nine month period ended December 31, 2006
and period from September 21, 2005 to March 31, 2006

1/ DESCRIPTION OF BUSINESS

Zincore Metals Inc. ("Zincore" or the "Company") is an exploration stage junior mining company engaged in the identification, acquisition, evaluation, exploration and development of zinc properties in Peru and elsewhere.

The Company was incorporated as Peru Zinc Corporation on September 21, 2005 in the Province of British Columbia as a 100% owned subsidiary of Southwestern Resources Corp. ("Southwestern"). The Company subsequently changed its name to Southern Zinc Corporation on April 26, 2006 and Zincore Metals Inc. on June 5, 2006.

The Company has sufficient working capital in the near term to fund ongoing operating expenditures. However, the Company is dependent on raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake further exploration and development of its mineral properties.

2/ SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The consolidated financial statements are prepared based upon Canadian generally accepted accounting principles.

The financial statements of entities which are controlled by the Company through voting equity interests, referred to as subsidiaries, are consolidated. The Company also assessed whether it has any variable interest entities in which it is the primary economic beneficiary and identified none. All intercompany balances and transactions have been eliminated upon consolidation.

b) Financial Instruments

The Company's financial assets and liabilities are cash, exploration advances and other receivables, accounts payable and accrued charges, and due to affiliated company. The fair values of these financial instruments are estimated to be their carrying values due to their short-term or demand nature.

c) Mineral Properties

Mineral properties and related exploration and development costs are recorded at cost on a property-by-property basis. Costs incurred for general exploration that are not project specific or do not result in the acquisition of mineral properties are charged to operations. Management periodically reviews the underlying value of mineral properties and records a provision to reduce the costs incurred to net realizable amounts as appropriate. If impairment is determined to exist, the mineral property will be written down to its net realizable value. The recoverability of the amounts capitalized for mineral property interests is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof. It is reasonably possible that changes could occur in the near term that could adversely affect management's estimates and may result in future write-downs of capitalized mineral property interest carrying values.

d) Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Amortization is computed using the declining-balance method based on annual rates as follows:

Office and other equipment	20%
Computer equipment	30%
Vehicles	30%

e) Foreign Currency Translation

The Company's functional currency is the Canadian dollar. The Company's foreign subsidiaries are considered to be integrated operations. Accordingly, the Company utilizes the temporal method to translate the financial statements of these subsidiaries into Canadian dollars. All foreign currencies are translated into Canadian dollars using weighted average rates for the period for items included in the consolidated statements of loss and deficit, the rate in effect at the balance sheet date for monetary assets and liabilities, and historical rates for other assets included in the consolidated balance sheets. Translation gains or losses are included in the determination of income.

f) Future Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income taxes are recorded for the temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities. These future taxes are measured by the provisions of currently substantively enacted tax laws. Management believes that it is not sufficiently likely that the Company will generate sufficient taxable income to allow the realization of future tax assets and therefore the Company has fully provided for these assets.

g) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates where management's judgment is applied include asset valuations, income taxes, stock-based compensation and contingent liabilities. Actual results may differ from those estimates.

h) Stock-based Compensation

Compensation expense for options granted is determined based on the estimated fair value of the stock options at the time of grant, the cost of which is recognized over the vesting periods of the respective options. The fair value of all stock-based awards is estimated using the Black-Scholes model.

3/ ACQUISITION OF ASSETS

a) Pursuant to an agreement, dated December 27, 2005, between Minera del Suroeste S.A. ("MISOSA"), an indirect, wholly owned subsidiary of Southwestern, and Exploraciones Collasuyo S.A.C. ("Collasuyo"), the Company's indirect, wholly owned subsidiary, MISOSA transferred its 100% interest in certain zinc properties (the "Zinc Assets") to Collasuyo. As the transaction was between companies under common control, the assets were recorded by the Company at their book value on the date of transfer.

b) In August 2006 the Company issued 31,999,999 common shares to Southwestern valued at $2,902,476 as settlement for the acquisition of the Zinc Assets, further working capital advances from Southwestern to the Company, the transfer of certain zinc-related data in China and an adjustment to reflect the agreed exchange amount for the Zinc Assets. The difference between the exchange amount and the carrying amount of the Zinc Assets was recorded as a charge to deficit of $100,381 as at March 31, 2006.

4/ PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2006

	Cost	Accumulated amortization	Net book value
Office and other equipment	**$ 50,572**	**$ 2,673**	**$ 47,899**
Computer equipment	**28,251**	**2,195**	**26,056**
Vehicles	**61,941**	**15,029**	**46,912**
	$ 140,764	**$ 19,897**	**$ 120,867**

As at March 31, 2006

	Cost	Accumulated amortization	Net book value
Office and other equipment	$ 1,812	$ –	$ 1,812
Vehicles	61,941	1,514	60,427
	$ 63,753	$ 1,514	$ 62,239

Amortization relating to exploration related assets has been allocated to mineral properties in the amount of $18,051 (March 31, 2006 – $1,514) during the period.

5/ MINERAL PROPERTIES

a) For the nine month period ended December 31, 2006, significant expenditures were as follows:

	Accha-Yanque	Minasccasa	Sayani	Other	Total
Balance, beginning of period	**$ 1,381,968**	**$ 714,553**	**$ 13,867**	**–**	**$ 2,110,388**
Property, acquisition and maintenance	**255,316**	**16,865**	**13,494**	**–**	**285,675**
Analytical	**68,939**	**–**	**225**	**2,250**	**71,414**
Geology	**1,041,415**	**6,150**	**27,807**	**3,610**	**1,078,982**
Drilling	**279,089**	**–**	**–**	**–**	**279,089**
Research	**41,021**	**–**	**–**	**–**	**41,021**
Project administration	**21,993**	**–**	**–**	**3,384**	**25,377**
Balance, end of period	**$ 3,089,741**	**$ 737,568**	**$ 55,393**	**$ 9,244**	**$ 3,891,946**

b) As at March 31, 2006 the mineral properties were comprised of:

	Accha-Yanque	Minasccasa	Sayani	Total
Balance, beginning of period	$ –	$ –	$ –	$ –
Property, acquisition and maintenance	249,704	101,912	10,036	361,652
Analytical	56,181	–	–	56,181
Geophysics	9,068	64,071	–	73,139
Geology	617,053	137,544	3,831	758,428
Drilling	267,003	62,925	–	329,928
Research	77,870	150,618	–	228,488
Project administration	105,089	197,483	–	302,572
Balance, end of period	$ 1,381,968	$ 714,553	$ 13,867	$ 2,110,388

In October 2006 the Company entered into a letter agreement to earn an interest in the Cerro Condorini Property from Brett Resources Inc. and on February 22, 2007 definitive agreements were executed. The Company can earn a 60% interest by incurring US$1.5 million in exploration expenditures and making US$75,000 in payments over three years. The first year exploration expenditure of US$200,000 and payment of US$25,000 are required expenditures. The Company has additional options to increase its interest to 70% by incurring exploration expenditures of US$2.5 million over the following two years and increase its interest to 80% by incurring exploration expenditures of US$4 million in the subsequent four years. Expenditures relating to this project have been minimal.

6/ SHARE CAPITAL

a) The authorized share capital of the Company consists of an unlimited number common shares without par value; an unlimited number of first preferred shares without par value; and an unlimited number of second preferred shares without par value.

b) During the nine months ended December 31, 2006, changes in issued common share capital were as follows:

	Nine month period ended December 31, 2006	
	Number of shares	**Amount**
Issued at inception	**1**	**$ 1**
Issued in exchange for debt	**36,599,999**	**4,402,476**
Public offering (net of share issue costs – $2,114,946)	**40,000,000**	**17,885,054**
Issued at end of period	**76,600,000**	**$ 22,287,531**

On August 23, 2006 the Company issued 31,999,999 million common shares to Southwestern in exchange for the settlement of $2,902,476 of the amounts due to Southwestern and its subsidiaries and for the transfer of certain zinc-related geological, geochemical and geophysical exploration data in China from Southwestern to the Company at historical book value.

On August 24, 2006 Southwestern elected to convert a $200,000 convertible loan into 2 million shares of the Company. Accrued interest was waived. The Company has no further obligation to Southwestern under the loan agreement.

At October 17, 2006 the Company had drawn $1.3 million under the terms of a bridge loan agreement with Southwestern. The Company elected to repay the principal amount of the bridge loan through the issuance of 2.6 million common shares. Accrued interest totalling $11,884 was paid in cash.

On November 8, 2006 the Company closed its Initial Public Offering whereby it raised gross proceeds of $19 million by issuing 38 million common shares at a price of $0.50 per share. The Company granted the underwriters a 30-day option, which was subsequently exercised, to purchase an additional 2 million common shares at a price of $0.50 per share to cover over-allotments. As a result of the exercise the Company received additional gross proceeds of $1 million. The Company paid the underwriters a cash commission of 6.5% of the gross proceeds of the offering and granted to the underwriters warrants to acquire up to 6.5% of the total number of common shares issued pursuant to the offering, as detailed further in note 6(d).

c) Stock Options

In May 2006 the Company established a stock option plan (the "Plan") and 10% of the number of common shares issued and outstanding are reserved for issuance under the Plan.

During the period the Company issued 3,098,000 stock options of which 1,105,669 are exercisable as at December 31, 2006. These options have a strike price of $0.50 and have a remaining contractual life of 4.8 years.

As a result of the stock options issued during the period ended December 31, 2006, the Company recorded $433,094 (March 31, 2006 – nil) as stock-based compensation expense and recorded this amount in contributed surplus. This value was determined using the Black-Scholes option pricing model. A grant-date fair value of $0.28 for each option granted was estimated using the following assumptions: no dividends are to be paid; volatility of 79%; risk free interest rate of 3.9%; and expected life of 3.5 years.

d) Warrants

As at December 31, 2006 the Company had 2,470,000 warrants outstanding with an exercise price of $0.50 per warrant and an expiry date of November 7, 2007. The warrants were valued at $395,200 using the Black-Scholes pricing model and that amount is included in share issue costs and contributed surplus. The assumptions used were the same as those used in calculating stock-based compensation discussed in note 6(c) except for the estimated life being 1 year instead of 3.5 years.

7/ INCOME TAXES

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

	December 31 2006	March 31 2006
Canadian statutory federal income tax rate	**34%**	34%
Recovery of income taxes computed at statutory rates	**$ 534,000**	$ 10,000
Non-deductible expenses	**(148,000)**	–
Effect of lower tax rates of foreign jurisdictions	**(16,000)**	–
Valuation allowance	**(370,000)**	(10,000)
Income tax provision	**$ –**	$ –

The approximate tax effect of each type of temporary difference that gives rise to the Company's future income tax assets are as follows:

	December 31 2006	March 31 2006
Operating loss carry forwards	$ 472,000	$ 10,000
Share issue costs	525,000	–
Excess of book over tax value of assets	(1,000)	–
Less: Valuation allowance	(996,000)	(10,000)
Net future income tax liability	$ –	$ –

At December 31, 2006 the Company had loss carry forwards available for tax purposes totalling $1,194,996 in Canada expiring in 2026 and $399,563 in Peru.

8/ SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties. The Company's only source of income for the period arose from interest earned on corporate cash reserves. The Company has non-current assets in the following geographic locations:

	December 31 2006	March 31 2006
Peru	$ 4,011,333	$ 2,172,627
Canada	76,820	–
	$ 4,088,153	$ 2,172,627

9/ RELATED PARTY TRANSACTIONS

During the nine month period ended December 31, 2006, the Company paid $239,633 to Southwestern and its subsidiary under the terms of two separate administrative services agreements. In addition, during the same period, the Company paid remuneration to a company controlled by a director, who is also an officer, in the amount of $87,840. As at December 31, 2006 there was an amount owing to Southwestern and its subsidiary totalling $56,066 (March 31, 2006 – $2,550,730).

Related party transactions are measured at the exchange amount which is the consideration agreed to between the parties.