



**CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**For the Three and Six Months Ended**

**September 30, 2006**

**Zincore Metals Inc.**  
**Consolidated Balance Sheets**  
*(unaudited)*

	September 30, 2006	March 31, 2006
<b>Assets</b>		
Current		
Cash	\$ 218,242	\$ 241,257
Advances and other receivables	325,436	12,259
	543,678	253,516
Property, plant, and equipment (note 4)	76,034	62,239
Mineral properties (note 5)	2,974,476	2,110,388
	\$ 3,594,188	\$ 2,426,143
<b>Liabilities</b>		
Current		
Accounts payable and accrued charges	\$ 159,259	\$ 4,137
Due to an affiliated company (note 8)	1,057,726	2,550,730
	1,216,985	2,554,867
<b>Shareholders' Equity</b>		
Share capital (note 6)	3,102,477	1
Deficit	(725,274)	(128,725)
	2,377,203	(128,724)
	\$ 3,594,188	\$ 2,426,143

Continuing Operations (Note 1)

APPROVED BY THE BOARD

*/s/ W. David Black*

\_\_\_\_\_  
W. David Black

*/s/Timo Jauristo*

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Timo Jauristo

See accompanying Notes to the Consolidated Financial Statements

**Zincore Metals Inc.**  
**Consolidated Statements of Loss and Deficit**  
*(unaudited)*

	Three month period ended September 30, 2006	Six month period ended September 30, 2006
<b>Expenses</b>		
Consulting and management fees	\$ 155,437	\$ 248,911
General exploration	145,691	224,090
Foreign exchange loss	5,953	7,565
Legal and accounting	26,788	39,935
Office expense	62,557	78,476
	<hr/>	<hr/>
Loss before undemoted item	(396,426)	(598,977)
Interest and other income	806	2,428
	<hr/>	<hr/>
Net loss for the period	\$ (395,620)	\$ (596,549)
Deficit, beginning of period	(329,654)	(128,725)
	<hr/>	<hr/>
Deficit, end of period	\$ <u>(725,274)</u>	\$ <u>(725,274)</u>
Loss per share - basic and diluted	\$ <u>(0.03)</u>	\$ <u>(0.08)</u>
Weighted average number of shares outstanding	<u>14,043,479</u>	<u>7,060,110</u>

See accompanying Notes to the Consolidated Financial Statements

**Zincore Metals Inc.**  
**Consolidated Statements of Cash Flow**  
*(unaudited)*

	Three month period ended <u>September 30, 2006</u>	Six month period ended <u>September 30, 2006</u>
<b>Operating Activities</b>		
Net loss for the period	\$ (395,620)	\$ (596,549)
Items not involving cash:		
Depreciation	126	215
Change in non-cash operating working capital items:		
Increase in advances and other receivables	(158,125)	(303,434)
Increase in accounts payable and accrued charges	16,035	124,583
Cash used in operating activities	<u>(537,584)</u>	<u>(775,185)</u>
<b>Investing Activities</b>		
Additions to property, plant and equipment	(20,159)	(25,307)
Mineral property expenditures	(471,758)	(722,523)
Cash used in investing activities	<u>(491,917)</u>	<u>(747,830)</u>
<b>Financing Activity</b>		
Funds received from affiliated company	921,283	1,500,000
Cash provided by financing activity	<u>921,283</u>	<u>1,500,000</u>
Increase in cash during the period	(108,218)	(23,015)
Cash at beginning of period	<u>326,460</u>	<u>241,257</u>
Cash at end of period	<u>\$ 218,242</u>	<u>\$ 218,242</u>

**SUPPLEMENTAL CASH FLOW INFORMATION: NOTE 9**

See accompanying Notes to the Consolidated Financial Statements

**Zincore Metals Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Three and Six Months Ended September 30, 2006**  
**(unaudited)**

**1. CONTINUING OPERATIONS**

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 to Zincore Metals Inc. on June 5, 2006.

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue on a going concern basis depends on the continuing support of the Company's creditors, its ability to successfully raise additional financing, and/or complete the development of its mineral properties and attain future profitable production from the properties or proceeds from disposition.

**2. BASIS OF PRESENTATION**

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and follow the same accounting policies and methods of application as the most recent audited financial statements dated March 31, 2006, and should be read in conjunction with those audited financial statements and notes thereto. Accordingly they do not include all the information and footnotes required by accounting principles generally accepted in Canada for complete financial statements. In the opinion of management, all adjustments (consisting primarily of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the three month and six month periods ended September 30, 2006 are not necessarily indicative of the results that may be expected for the nine month period ending December 31, 2006.

From September 21, 2005 to September 30, 2005, there were no transactions and as such no comparative information is presented for the consolidated statements of loss and deficit and cash flows.

**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 had been 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 (note 6). 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.

**Zincore Metals Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Three and Six Months Ended September 30, 2006**  
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**4. PROPERTY, PLANT AND EQUIPMENT**

As at September 30, 2006

	Cost	Accumulated Amortization	Net Book Value
Office and other equipment	\$27,119	\$1,700	\$25,419
Vehicles	61,942	11,327	50,615
	\$89,061	\$13,027	\$76,034

As at March 31, 2006

	Cost	Accumulated Amortization	Net Book Value
Office and other equipment	\$1,811	\$-	\$1,811
Vehicles	61,942	1,514	60,428
	\$63,753	\$1,514	\$62,239

Amortization relating to exploration related assets has been allocated to mineral properties in the amount of \$11,300 (March 31, 2006 - \$1,514) during the period.

**5. MINERAL PROPERTIES**

a) For the six month period ended September 30, 2006 significant expenditures were as follows:

	Accha/Yanque	Minascassa	Sayani	Total
Balance, beginning of period	\$1,381,968	\$714,553	\$13,867	\$2,110,388
Property, acquisition and maintenance	248,668	16,865	13,494	279,027
Analytical	41,719	--	225	41,944
Geology	497,149	6,150	11,973	515,272
Research	21,905	--	--	21,905
Project administration	5,940	--	--	5,940
Balance, end of period	\$2,197,349	\$737,568	\$39,559	\$2,974,476

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

	Accha/Yanque	Minascassa	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

The Company has applied for thirty-three additional mining concessions, covering 31,000 hectares, which are contiguous or adjacent to Accha-Yanque and will be incorporated

**Zincore Metals Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Three and Six Months Ended September 30, 2006**  
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into the Accha-Yanque Property. Further, the Company has applied for seven mining concessions comprising five properties in Southern Peru. As at September 30, 2006, six of these had been granted.

**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 six months ended September 30, 2006, changes in issued common share capital were as follows:

	Six Month Period Ended September 30, 2006	
	Number of shares	Amount
Issued at beginning of period	1	\$1
Issued in exchange for debt	33,999,999	3,102,476
Issued at end of period	34,000,000	\$3,102,477

On August 23, 2006 the Company issued 31,999,999 million common shares to Southwestern in exchange for the settlement of \$2,902,477 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 the \$200,000 outstanding under the loan agreement into 2,000,000 shares of the Company. Accrued interest was waived. The Company has no further obligation to Southwestern under the loan agreement.

c) In May 2006 the Company established a stock option plan (the "Plan") and 10% of the number of common shares issued and outstanding will be reserved for issuance under the Plan. As at September 30, 2006, no options had been granted under this Plan.

**7. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties. The Company has non-current assets in the following geographic locations:

	September 30, 2006	March 31, 2006
Peru	\$3,048,913	\$2,172,624
Canada	\$1,597	--
	\$3,050,510	\$2,172,624

**Zincore Metals Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Three and Six Months Ended September 30, 2006**  
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**8. RELATED PARTY TRANSACTIONS**

a) In June 2006, Southwestern agreed to provide the Company with a bridge loan to a maximum of \$500,000 (subsequently increased to \$1,000,000 in July 2006 and to \$1,300,000 in September 2006). The bridge loan is due the earlier of thirty days following the completion of a public offering or one year from the date of the loan. (In October 2006, the loan was revised to provide, at the election of the Company, for repayment in cash or shares at the initial public offering price per share (see note 10)). The loan is unsecured and bears interest at a rate of 7% per annum. Included in the amount due to affiliated company is \$1,008,250 due to Southwestern from this loan of which \$8,250 is accrued interest. The remaining balance of \$49,476 is a short-term loan to Southwestern and its subsidiaries and has been repaid.

b) During the three and six month periods ended September 30, 2006 the Company paid \$88,453 and \$135,214, respectively, to Southwestern and its subsidiary under the terms of two separate administrative services agreements. In addition, during the same periods, the Company paid remuneration to a company controlled by a director in the amount of \$21,420 and \$42,840. As at September 30, 2006, there was an amount owing to Southwestern and its subsidiary totaling \$1,057,726 (March 31, 2006 - \$2,550,730).

**9. SUPPLEMENTAL CASH FLOW INFORMATION**

During the three and six month periods ended September 30, 2006, the Company issued 33,999,999 common shares valued at \$3,102,476 in exchange for debt.

**10. SUBSEQUENT EVENTS**

In October 2006, the Company entered into an option agreement to earn an interest in the Cerro Condorini property from Brett Resources. The Company can earn a 60% interest by incurring US\$1,500,000 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\$2,500,000 over the following two years and increase its interest to 80% by incurring exploration expenditures of US\$4,000,000 in the subsequent four years.

At October 17, 2006, the Company had drawn \$1,300,000 under the terms of the bridge loan agreement described in Note 8(a). The Company has elected to repay the principal amount of the bridge loan through the issuance of 2,600,000 common shares. Accrued interest was paid in cash.

On November 7, 2006 the Company closed its Initial Public Offering whereby it raised gross proceeds of \$19,000,000 by issuing 38,000,000 common shares at a price of \$0.50 per share. The Company granted the underwriters a 30-day option, which was subsequently exercised on November 22, 2006, to purchase an additional 2,000,000 common shares at a price of \$0.50 per share to cover over-allotments. As a result of the exercise of the over-allotment option, the Company received additional gross proceeds of \$1,000,000. The Company paid the underwriters a cash commission of 6.5% of the gross proceeds of the offering. The Company granted the underwriters warrants to acquire 2,470,000 common shares, exercisable for a period of one year following the closing of the offering at \$0.50 per share.