



**MANAGEMENT DISCUSSION AND ANALYSIS**

**For the Period Ending**

**September 30, 2006**

## **Zincore Metals Inc.**

### ***General***

The following Management's Discussion and Analysis ("MD&A") of Zincore Metals Inc. and its subsidiaries, ("Zincore" or "the Company") for the three months and six months ended September 30, 2006 should be read in conjunction with the Company's unaudited financial statements for the three and six months ended September 30, 2006 and the Company's audited financial statements for the period from September 21, 2005 (date of inception) until March 31, 2006 presented in Zincore's prospectus dated October 26, 2006 available on SEDAR ([www.sedar.com](http://www.sedar.com)) for its initial public offering ("IPO"). This report has taken into account information available up to and including November 24, 2006.

All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles and presented in Canadian dollars unless otherwise noted.

The Company has commenced exploration of its mineral properties and has not yet determined whether these properties contain ore reserves. The recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the ability of the Company to obtain necessary financing to complete the exploration and development and upon future profitable production or proceeds from the disposition of properties. The amounts shown as mineral properties represent costs to date and do not necessarily represent present or future values.

### ***Description of Business***

Zincore was incorporated on September 21, 2005 as an indirect wholly owned subsidiary of Southwestern Resources Corp. ("Southwestern") and commenced operations as a zinc mineral exploration and development company following the restructuring by Southwestern of its zinc properties. Zincore acquired from Southwestern the Accha-Yanque Property, the Minascassa Property and the Sayani Property.

In September 2006, Zincore filed a preliminary prospectus to undertake its IPO with securities regulators in British Columbia, Alberta, Manitoba and Ontario to raise funds for exploration, drilling, and pre-feasibility study as well as property maintenance, general and administrative costs, and general working capital. On October 27, 2006 Zincore announced that it had priced its IPO and filed its final prospectus to raise gross proceeds of \$19 million through the issuance of 38 million common shares at \$0.50 per share. The underwriters were granted an over-allotment option of 2 million shares at the IPO price. On November 7, 2006 Zincore closed the IPO and on November 8, 2006 commenced trading on the TSX under the symbol "ZNC". On November 22, 2006 the underwriters fully exercised the over-allotment option and, as a result, the Company issued 2 million common shares and received gross proceeds of \$1 million. (See *Subsequent Events* for further details relating to the IPO).

### ***Overall Performance***

Zincore's activities since inception have been focused on establishing a management team in Canada and Peru and on raising equity capital to provide the financial resources required by the Company to execute its exploration strategy. Its strategy consists of exploration and definition drilling and technical study of its Accha-Yanque property, initial exploration of its other

properties to further assess potential and develop more detailed programs, and adding high potential properties to its portfolio.

Zincore has established experienced management teams in Vancouver and Peru to lead the Company and, with the closing of its IPO, Zincore has successfully raised sufficient funds to complete its currently planned exploration programs. Expert consultants experienced in zinc oxide processing have been retained to assist the Company in completing its technical work.

Since incorporation the Company has taken a number of steps to increase its exploration property portfolio beyond those it acquired from Southwestern. The Accha-Yanque property which originally consisted of 23 claims totalling 14,230 hectares has been increased through the application to the Peruvian government for 33 new claims to increase the total property package to over 45,000 hectares. The new claims have been published and are expected to be granted over the coming month. Additionally, Zincore applied for nine claims covering five new properties and 6,300 hectares in central and southern Peru. The claims cover areas identified as hosting surface zinc mineralization by historical exploration work. Six of these claims have been granted by Peruvian authorities and the other three have been published and are expected to be granted over the coming month. In total the Company spent approximately \$125,000 during the quarter on staking costs of which \$102,000 was capitalised to the Accha-Yanque property.

In October 2006, Zincore entered into a letter agreement to earn up to 80% of the Cerro Condorini zinc property in southern Peru owned by Brett Resources. The Cerro Condorini property comprises 1,000 hectares, 10 kilometres from the town of Nunoa in southern Peru and 35 kilometres south of Bear Creek's Corani project. Early stage work by Brett found high-grade zinc, lead and silver mineralization in historic mine workings and has identified zones of oxide zinc mineralization along strike to the northwest of the historic mine in a broad zone. (See *Subsequent Events* for further details on the Cerro Condorini agreement).

### **Accha-Yanque Property**

Zincore's initial exploration and development activities will be concentrated on the Accha-Yanque property in Peru. The Company has identified an exploration program with the objectives of defining the historical resources on the Accha deposit as current resources under NI 43-101, expanding the known resources and increasing and updating the current inferred resources at Yanque. The first phase of this program with an estimated cost of \$7.9 million commenced upon completion of the IPO. The objectives of the first phase are resource definition and expansion including the preparation of NI 43-101 current resource estimates and preliminary engineering studies. Provided that upon conclusion of the first phase that sufficient measured and indicated mineral resources are identified, satisfactory engineering and metallurgical studies and test work results are achieved, a pre-feasibility phase totaling approximately \$1.2 million will commence.

During the quarter, activities were focused on establishing the site team to execute the exploration program, preparing the site camp, community relations activities and beginning the metallurgical program.

At quarter end the Company had a site team of ten including six geologists. The team has been completing preparations for commencement of the drill program and re-logging the core from 56 holes that had been drilled in the 1990s on the Accha deposit. The Company has upgraded and improved the exploration camp at the property. The camp is now completed as required for the first phase exploration program.

The Company has commenced a consultation process with the communities around the Yanque deposit with the objective of obtaining an access agreement. An access agreement with local communities is required before the application for a drilling permit can be submitted.

During the quarter the Company reached agreement on the scope and budget with the selected metallurgical consultants required to complete the metallurgical test work and related preliminary engineering and design. The Company has retained Green Team International (“GTI”) as prime consultant and is finalizing its formal agreement with them and has or will enter into agreements with other firms for specific work as required. Early stage metallurgical work has commenced and the program scope will increase through the fourth quarter.

In the quarter ending September 30, 2006, Zincore deferred \$429,677 in expenditures related to the Accha-Yanque property and expenditures of \$815,381 for the six month period.

### **Other Exploration Properties**

The Company completed an initial review and compilation of all data available for the recently staked properties in advance of planned field work expected to be completed over the next six months.

### ***Results of Operations***

Zincore has limited operating history and no historical periods upon which to compare 2006 financial results. For the three month and six month periods ended September 30, 2006, the Company had a net loss of \$395,620 or 0.03 cents per share and a net loss of \$596,549 or \$0.08 cents per share respectively. The quarter on quarter increase in net loss is primarily due to an increase in corporate activity, an increase in general exploration expenditures and an increase in interest expense.

Management and consulting fees were \$61,963 higher for the September quarter as compared to the June quarter due to an increase in personnel combined with higher consulting fees related to start-up and IPO financing activities. General exploration expenditures increased \$67,292 over the previous June quarter principally due to claim staking costs associated with concessions outside of the Accha-Yanque project and geological review of the Cerro Condorini agreement in advance of signing the letter agreement with Brett Resources. Legal, accounting and office expenses increased an aggregate \$51,989 over the previous quarter due to commencement of a services agreement with Southwestern and activities related to start-up of the Company and the IPO. Interest expense of \$8,250, relating to the bridge loan outstanding to Southwestern, was included in office expense and accrued in the quarter ending September 30, 2006. The bridge loan has been repaid in shares. (See *Subsequent Events* for further details).

### ***Quarterly Financial Information***

The following selected consolidated financial data has been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the Company’s audited consolidated financial statements dated March 31, 2006.

Fiscal Quarter Ended	<b><u>September 30, 2006</u></b>	<u>June 30, 2006</u>
Interest and Other Income	<b>\$806</b>	\$1,622
Net Loss	<b>\$395,620</b>	\$200,929
Net Loss per Share	<b>0.03</b>	N/A

### ***Financial Condition, Liquidity and Capital Resources***

Zincore is a mineral exploration company and as such is not in commercial production at any of its mineral properties and, accordingly, it does not generate cash from operations. The Company intends to finance its activities by raising capital through the equity markets.

Through the end of September 30, 2006 Zincore financed its operations through working capital loans from Southwestern including a \$200,000 convertible loan and \$1,300,000 bridge loan. During the quarter Southwestern elected to convert the \$200,000 drawn on the convertible loan into 2 million shares in Zincore and accrued interest was waived. At September 30, 2006, \$1,000,000 was drawn under the bridge loan and interest of \$8,025 was accrued. The bridge loan was repayable at the earlier of thirty days following the completion of an IPO and June 15, 2007. In October the bridge loan was made repayable at Zincore's election in common shares of Zincore at the IPO price.

At September 30, 2006 the Company had a working capital deficiency of \$673,307 including debt of \$1,057,726. Except for the amount remaining to be drawn under the bridge loan, the Company had no other pre-arranged sources of debt financing.

At September 30, 2006, the Company had no material contractual obligations. Its planned exploration and development activities may necessitate entering into various contracts.

Zincore has no commitments for capital expenditures as of the date of these financial statements. In order to maintain its claims in Peru in good standing, approximately \$85,000 must be spent on concession holding costs over the next 12 months.

Subsequent to September 30, 2006 the financial condition of the Company improved substantially with the repayment of \$1,300,000 outstanding under the bridge loan through the issuance of 2.6 million common shares and the closing of the IPO and over-allotment option which raised net proceeds (before Company costs) of \$18,715,000.

With the completion of the IPO and over-allotment in November, the Company has financial resources that exceed its planned 12 month exploration and technical study expenditures. The success of exploration programs and other property transactions can have a significant impact of spending requirements. Should the Company decide to accelerate its programs, add new property programs or further develop any of its properties, additional capital may be required and no assurance can be given as to the ability of the Company to raise such required capital.

### ***Off-Balance Sheet Transactions***

The Company does not utilize off-balance sheet transactions.

### ***Related Party Transactions***

As at September 30, 2006, \$1,057,726 was due to Southwestern and its subsidiaries in relation to loan agreements and short term borrowings.

During the three month and six month periods ended September 30, 2006 Zincore paid \$21,420 and \$42,840 respectively for management services under an agreement with a company controlled by a director who is also an officer of the company.

Zincore has also entered into an Administrative Services Agreement with Southwestern whereby Southwestern agreed to provide the Company with office space, use of Southwestern's office facilities, secretarial and accounting services in Canada and services in China at a cost of \$16,000 per month. Collasuyo, the Company's indirect wholly-owned subsidiary, has entered into an Outsourcing Operating Assistance Services Agreement with MISOSA, Southwestern's indirect wholly-owned subsidiary, whereby MISOSA agreed to provide Collasuyo with office space, use of MISOSA's facilities and secretarial and accounting services in Peru at a cost of US\$11,500 per month. During the three and six month periods ended September 30, 2006, the Company paid \$88,453 and \$135,214 to Southwestern and MISOSA under these agreements.

### ***Proposed Transactions***

As is typical of the mineral exploration and development industry, the Company is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. There are no transactions being contemplated by management or the board at this time that would materially affect the financial condition, results of operations and cash flows of any asset of the Company.

### ***Financial Instruments and Other Instruments***

The Company's financial instruments consist of cash, advances and other receivables, accounts payable and payables due to an affiliated company. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

### ***Changes in Accounting Policies including Initial Adoption***

None.

### ***Share Capital Information***

At September 30, 2006 the Company had 34,000,000 common shares issued and outstanding all of which were held by Southwestern.

On October 17, 2006 Zincore granted stock options to employees and consultants to the Company totalling 3,148,000 options exercisable into common shares at the IPO price. As at the date of this MD&A, 1,130,667 stock options were vested and available to be exercised.

On November 7, 2006 Zincore closed its IPO and issued 38,000,000 common shares for gross proceeds of \$19 million. Southwestern purchased 2,000,000 of these IPO shares. Zincore granted the underwriters a 30-day over-allotment option to purchase up to 2,000,000 shares at the IPO price. On November 22, 2006 this over-allotment option was fully exercised resulting in the issuance of 2,000,000 shares for gross proceeds of \$1 million. In addition, the Company has granted the underwriters warrants to acquire up to 2,470,000 common shares, exercisable for a period of one year at a price of \$0.50 per share.

### ***Subsequent Events***

In October 2006, the Company entered into a letter agreement to acquire an interest in the Cerro Condorini property from Brett Resources Inc. (Brett). The letter agreement is subject to a 30 day

due-diligence period by the Company and approval of the boards of directors of each of Brett and Zincore.

Under the terms of the agreement, the Company has the option to earn a 60% interest in the property, by spending US\$1,500,000 on exploration on the property and making cash payments to Brett of US\$75,000 over three years, including cash payments of an aggregate US\$50,000 over the next 18 months. The first year's exploration expenditure of US\$200,000 is a firm commitment. Zincore will be appointed operator of the property. Upon the Company earning its interest, the parties will incorporate a Peruvian corporation in accordance with their respective interests to continue exploration on the property. The Company can earn an additional 10% interest in the Cerro Condorini property (for a total 70% interest) by contributing US\$2,500,000 over two years (expected to be approximately \$525,000 for the next 18 months) toward further exploration on the property, and a subsequent 10% interest in the property (for a total 80% interest) by contributing US\$4,000,000 over the following four years towards continued exploration on the property.

On October 17, 2006 Zincore granted stock options to employees and consultants to the Company totalling 3,138,000 options exercisable into common shares at the IPO price and a further 10,000 options were granted in November on the same terms.

As at October 20, 2006, the Company had drawn a total of \$1,300,000 from Southwestern under a bridge loan agreement to fund operations and exploration and development activities in advance of the Offering. On that date Zincore elected to repay the principal amount of the bridge loan by the issuance of 2,600,000 shares. The accrued interest to the date of repayment of \$8,250 has been paid in cash.

On November 7, 2006 Zincore closed its IPO and issued 38 million common shares at \$0.50 per share for net proceeds (before Company costs) of \$17,780,000. On November 8, 2006 the Company's common shares started trading on the Toronto Stock Exchange under the symbol "ZNC". The Company granted to the underwriters a 30-day option to purchase an additional 2,000,000 shares at price of \$0.50 per share to cover over-allotments. The Company has also granted the underwriters 2,470,000 warrants convertible into common shares for a period of one year at a price of \$0.50 per share. On November 22, 2006 the underwriters fully exercised their over-allotment option and, as a result, the Company issued 2,000,000 shares and received additional net proceeds of \$935,000.

### ***Disclosure Control and Procedures***

The Company is a transitional issuer pursuant to MI 52-109 and as such the Chief Executive Officer and Chief Financial Officer have reviewed the interim filings and concluded that the interim financial statements and other financial information fairly present in all material respects the financial condition of the Company.

### ***Forward-Looking Statements***

Statements in this MD&A that are forward looking are subject to various risks and uncertainties concerning the specific factors disclosed under the heading "Risk Factors" and elsewhere in the prospectus of Zincore in connection with the IPO dated October 26, 2006 which is filed on SEDAR. Such information contained herein represents management's best judgment as of the

date hereof based on information currently available. Zincore does not assume the obligation to update any forward-looking statements.