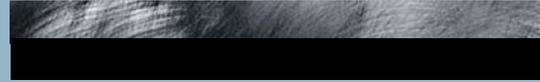




ZINCORE METALS INC.

Consolidated Financial Statements

For the Three and Six Month Periods Ended June 30, 2007



CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

ZINCORE METALS INC.

TO THE SHARE HOLDERS OF ZINCORE METALS INC

	June 30, 2007	December 31, 2006
ASSETS		
Current		
Cash and cash equivalents	\$ 12,603,143	\$ 17,672,092
Advances and other receivables	122,265	166,932
	12,725,408	17,839,024
Other assets		
Property, plant and equipment NOTE 3	75,340	75,340
Mineral properties NOTE 4	187,452	120,867
	7,914,232	3,891,946
	\$ 20,902,432	\$ 21,927,177
LIABILITIES		
Current		
Accounts payable and accrued charges	\$ 312,777	\$ 450,314
Due to affiliated companies	78,943	56,066
	391,720	506,380
SHAREHOLDERS' EQUITY		
Share capital NOTE 5	22,635,662	22,287,531
Contributed surplus NOTE 5	1,295,724	828,294
Deficit	(3,420,674)	(1,695,028)
	20,510,712	21,420,797
	\$ 20,902,432	\$ 21,927,177

See accompanying notes to consolidated financial statements

APPROVED BY THE BOARD



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CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
(UNAUDITED)

ZINCORE METALS INC.

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Consulting and management fees	\$ 243,323	\$ 93,474	\$ 556,379	\$ 100,417
General exploration	266,338	78,399	607,585	81,789
Foreign exchange loss (gain)	255,412	1,612	289,540	(2,525)
Legal and accounting	22,393	13,147	60,113	35,497
Shareholder information	21,898	-	77,502	-
Office expense	154,024	15,919	386,613	16,105
Travel	17,881	-	29,127	-
Loss before undernoted items	(981,269)	(202,551)	(2,006,859)	(231,283)
Interest and other income	130,043	1,622	281,213	2,262
Net and comprehensive loss for the period	(851,226)	(200,929)	(1,725,646)	(229,021)
Deficit at beginning of period	(2,569,448)	(128,725)	(1,695,028)	(252)
Related party transaction	-	-	-	(100,381)
Deficit at end of period	<u>\$(3,420,674)</u>	<u>\$ (329,654)</u>	<u>\$3,3420,674)</u>	<u>\$ (329,654)</u>
Loss per share – basic and diluted	\$ (0.01)	N/A	\$ (0.02)	N/A
Weighted average number of shares outstanding	<u>76,730,487</u>	<u>1</u>	<u>76,665,244</u>	<u>1</u>

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED)

ZINCORE METALS INC.

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
OPERATING ACTIVITIES				
Net loss for the period	\$ (851,226)	\$ (200,929)	(1,725,646)	\$ (229,021)
Items not involving cash				
Amortization	2,412	89	2,759	89
Stock-based compensation	218,561	-	554,462	-
	(630,253)	(200,840)	(1,168,425)	(228,932)
Change in non-cash operating working capital items				
Decrease (increase) in advances and other receivables	84,936	(145,309)	83,133	(145,309)
Increase (decrease) in accounts payable and accrued charges	(61,250)	108,548	(38,588)	108,548
Cash used in operating activities	(606,567)	(237,601)	(1,123,880)	(265,693)
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(53,520)	(5,148)	(87,182)	(68,901)
Mineral property expenditures	(2,376,118)	(250,765)	(4,118,987)	(331,720)
Cash used in investing activities	(2,429,638)	(255,913)	(4,206,169)	(400,621)
FINANCING ACTIVITIES				
Funds received from affiliated companies	-	578,717	-	992,624
Shares Issued	261,100	-	261,100	-
Cash provided by financing activities	261,100	578,717	261,100	992,624
Increase (Decrease) in cash and cash equivalents during the period	(2,775,105)	85,203	(5,068,949)	326,310
Cash and cash equivalents at beginning of period	15,378,248	241,257	17,672,092	150
Cash and cash equivalents at end of period	\$ 12,603,143	\$ 326,460	12,603,143	\$ 326,460
Cash and cash equivalents consist of:				
Cash	\$ 7,475,028	\$ 326,460	7,475,028	\$ 326,460
Short-term investments	5,128,115	-	5,128,115	-
Cash and cash equivalents at end of period	\$ 12,603,143	\$ 326,460	12,603,143	\$ 326,460

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

ZINCORE METALS INC.

For the three months ended March 31, 2007 and March 31, 2006

1/ BASIS OF PRESENTATION

These interim consolidated 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 annual consolidated financial statements dated December 31, 2006, except for the items discussed in note 2 below. These financial statements should be read in conjunction with those annual financial statements and notes thereto. Accordingly, they do not include all of 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 and six month periods ended June 30, 2007 and 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

2/ CHANGES IN ACCOUNTING POLICIES

Effective as of January 1, 2007, the Company adopted two new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

a) Comprehensive income (CICA Handbook Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Company reports a consolidated statement of comprehensive income and a new category, accumulated other comprehensive income, is added to the shareholders' equity section of the consolidated balance sheet for any unrealized gains and losses in financial assets classified as available-for-sale. The Company had no "other comprehensive income or loss" transactions during the six months ended June 30, 2007 and no opening or closing balances for "accumulated comprehensive income or loss".

b) Financial Instruments – recognition and measurement (CICA Handbook Section 3855) and disclosure and presentation (CICA Handbook Section 3861)

In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables or other financial liabilities. Financial instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized in operating results. Financial instruments classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other financial liabilities are measured at amortized cost.

Upon adoption of these new standards, the Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Advances and other receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued charges are classified as other liabilities, which are measured at amortized cost.

During the six months ended June 30, 2007, the Company had neither available-fo-sale nor held-to-maturity financial instruments.

3/ PROPERTY, PLANT AND EQUIPMENT

As at June 30, 2007	Cost	Accumulated amortization	Net book value
Office and other equipment	\$ 78,066	\$ 8,990	\$ 69,076
Computer equipment	81,761	9,480	72,281
Leasehold improvements	6,177	383	5,794
Vehicles	61,941	21,640	40,301
	<u>\$ 227,945</u>	<u>\$ 40,493</u>	<u>\$ 187,452</u>
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
	<u>\$ 140,764</u>	<u>\$ 19,897</u>	<u>\$ 120,867</u>

Amortization relating to exploration related assets has been allocated to mineral properties in the amount of \$17,837 (December 31, 2006 - \$18,051) during the period.

4 / MINERAL PROPERTIES

a) For the six month period ended June 30, 2007, significant expenditures were:

	Accha-Yanque	Condorini	Sayani	Minascasca	Total
Balance, beginning of period	\$ 3,089,741	\$ 9,244	\$ 55,393	\$ 737,568	\$ 3,891,946
Property, acquisition and maintenance	7,440	38,320	–	–	45,760
Analytical	102,532	–	–	–	102,532
Geology	907,236	–	–	–	907,236
Drilling	2,046,343	–	–	–	2,046,343
Technical and engineering	630,559	–	–	–	630,559
Research	15,830	–	–	–	15,830
Project administration	271,461	2,565	–	–	274,026
Balance, end of period	\$ 7,071,142	\$ 50,129	\$ 55,393	\$ 737,568	\$ 7,914,232

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

	Accha-Yanque	Condorini	Sayani	Minascasca	Total
Balance, beginning of period	\$ 1,381,968	\$ –	\$ 13,867	\$ 714,553	\$ 2,110,388
Property, acquisition and maintenance	255,316	–	13,494	16,865	285,675
Analytical	68,939	2,250	225	–	71,414
Geology	1,041,415	3,610	27,807	6,150	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	\$ 9,244	\$ 55,393	\$ 737,568	\$ 3,891,946

5 / SHARE CAPITAL

a) Common and preferred shares

The authorized share capital of the Company consists of an unlimited number of 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.

During the six months ended June 30, 2007, changes in issued share capital were as follows:

Six Month Period Ended June 30, 2007	Number of common shares	Amount
	Issued at beginning of period	76,600,000
Exercise of warrants (including transfer of \$78,912 from contributed surplus)	493,199	325,511
Exercise of options (including transfer of \$8,120 from contributed surplus)	29,000	22,620
Issued at end of period	77,122,199	\$22,635,662

Nine month period ended December 31, 2006	Number of common shares	Amount
	Issued at beginning of period	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

b) Stock Options

At June 30, 2007 there were 4,505,000 stock options outstanding, of which 1,783,477 are exercisable.

Six month period ended June 30, 2007	Number of options	Weighted average exercise price
Outstanding at beginning of period	3,098,000	\$0.50
Granted	1,436,000	\$0.70
Exercised	29,000	\$0.50
Outstanding at end of period	4,505,000	\$0.56
Exercisable at end of period	1,783,477	\$0.56

As a result of stock options vesting and the amortization of previous grants during the three and six month periods ended June 30, 2007, the Company recognized \$218,561 (2006 – \$nil) during the three month period and \$554,462 (2006 – \$nil) during the six month period as stock-based compensation expense and recorded this amount in contributed surplus. These amounts were recorded as follows:

	Three months ended June 30, 2007	Six months ended June 30, 2007
Office expense	\$ 59,229	\$ 139,697
Consulting and management fees	90,061	236,530
General exploration	69,271	178,235
Issued at end of period	\$ 218,561	\$ 554,462

The value of the stock options granted during the six month period was determined using the Black-Scholes option pricing model. A grant-date fair value of \$0.37 for each option granted during the first six months of 2007 was estimated using the following assumptions: no dividends are to be paid; volatility of 72%; risk free interest rate of 4.0%; and expected life of 3.5 years.

c) Warrants

As at June 30, 2007, the Company had 1,976,801 warrants outstanding with an exercise price of \$0.50 per warrant and an expiry date of November 7, 2007. The remaining warrants outstanding as of June 30, 2007 were valued at \$316,288 as as the date of issue using the Black-Scholes pricing model.

d) Contributed Surplus

	Six month period ended June 30, 2007	Nine months ended December 31, 2006
Balance, beginning of period	\$828,294	\$-
Warrants issued	-	395,200
Warrants exercised	(78,912)	-
Stock options exercised	(8,120)	-
Stock-based compensation	554,462	433,094
Balance, end of period	\$1,295,724	\$828,294

6 / SEGMENTED INFORMATION

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

	As at June 30, 2007	As at December 31, 2006
Peru	\$ 8,061,435	\$ 4,011,333
Canada	115,589	76,820
	\$ 8,177,024	\$ 4,088,153

7 / RELATED PARTY TRANSACTIONS

During the three and six month periods ended June 30, 2007 and June 30, 2006, the Company paid its affiliate Southwestern Resources Corp. ("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 common as follows:

	Three months ended June 30, 2007	Six months ended June 30, 2007
Administrative services agreements	\$ 67,862	\$ 150,667
Remuneration paid to a company controlled by a director	\$ 36,250	\$ 80,000

	Three months ended June 30, 2006	Six months ended June 30, 2006
Administrative services agreements	\$ 46,761	\$ 46,761
Remuneration paid to a company controlled by a director	\$ 21,420	\$ 21,420

As at June 30, 2007, there was an amount owing to Southwestern and its subsidiary totalling \$78,943 (December 31, 2006, \$56,066).

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

8 / COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current period's presentation.

CORPORATE INFORMATION

ZINCORE METALS INC.

DIRECTORS

W David Black
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Timo Jauristo
Rex McLennan
Myron Osatenko
Henry Giegerich

OFFICERS

Timo Jauristo
President and CEO
Gregory Martin
VP and CFO
Gregory McCunn
VP Project Development
Susy Horna
Corporate Secretary

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LISTING

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