1ST QUARTER REPORT

ZINCORE METALS INC.

First Quarter Report

For the quarter ended March 31, 2008

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31, 2008	December 31, 2007
ASSETS		
Current		
Cash and cash equivalents	$ 6,297,946	$ 8,395,468
Prepaids, advances and other receivables	139,492	157,176
	6,437,438	8,552,644
Other assets	35,720	65,435
Exploration advances and other receivables	251,579	141,888
Property, plant and equipment NOTE 3	220,078	229,810
Mineral properties NOTE 4	13,454,683	11,873,927
	$ 20,399,498	$ 20,863,704
LIABILITIES		
Current		
Accounts payable and accrued charges	$ 567,728	$ 379,089
Due to affiliated companies	30,470	11,046
	598,198	390,135
SHAREHOLDERS' EQUITY		
Share capital NOTE 5(b)	23,961,364	23,961,364
Contributed surplus NOTE 5(b)	1,529,000	1,359,234
Deficit	(5,689,064)	(4,847,029)
	19,801,300	20,473,569
	$ 20,399,498	$ 20,863,704

See accompanying notes to consolidated financial statements

APPROVED BY THE BOARD

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

	Three months ended March 31, 2008	Three months ended March 31, 2007
EXPENSES		
General exploration	$ 360,943	$341,247
Consulting and management fees	290,104	313,056
Office expense	132,310	232,242
Shareholder information	103,312	55,604
Travel	40,459	11,246
Legal and accounting	26,580	37,720
Amortization	3,376	347
Foreign exchange (gain) loss	(43,660)	34,128
Loss before undernoted item	(913,424)	(1,025,590)
Interest and other income	71,389	151,170
Net loss and comprehensive loss for the period	(842,035)	(874,420)
Deficit at beginning of period	(4,847,029)	(1,695,028)
Deficit at end of period	$ (5,689,064)	$ (2,569,448)
Loss per share – basic and diluted	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding	79,124,833	76,600,000

See accompanying notes to consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

	Three months ended March 31, 2008	Three months ended March 31, 2007
OPERATING ACTIVITIES		
Net loss for the period	$ (842,035)	$ (874,420)
Items not involving cash		
Amortization	3,376	347
Stock-based compensation	169,766	335,902
	(668,893)	(538,171)
Change in non-cash operating working capital items		
Decrease (increase) in prepaids, advances and other receivables	47,399	(1,805)
Increase in accounts payable and accrued charges	91,938	22,662
Cash used in operating activities	(529,556)	(517,314)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(5,609)	(33,662)
Mineral property expenditures	(1,562,357)	(1,742,868)
Cash used in investing activities	(1,567,966)	(1,776,530)
Decrease in cash and cash equivalents during the period	(2,097,522)	(2,293,844)
Cash and cash equivalents at beginning of period	8,395,468	17,672,092
Cash and cash equivalents at end of period	$ 6,297,946	$ 15,378,248
Cash and cash equivalents consist of:		
Cash	$ 2,445,236	$ 10,302,932
Short-term investments	3,852,710	5,075,316
Cash and cash equivalents at end of period	$ 6,297,946	$ 15,378,248

See accompanying notes to consolidated financial statements

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, 2007 except as disclosed in note 2. These financial statements should be read in conjunction with those annual financial statements and notes thereto. Accordingly, this report does 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 month period ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

2/ CHANGES IN ACCOUNTING POLICIES

Effective as at January 1, 2008, the Company adopted three new presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1535, Capital Disclosures (“Section 1535”), Handbook Section 3862, Financial Instruments – Disclosures (“Section 3862”) and Handbook Section 3863, Financial Instruments – Presentation (“Section 3863”).

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by Section 1535 in note 8 of these interim consolidated financial statements.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements for financial instruments. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by Sections 3862 and 3863 in note 9 of these interim consolidated financial statements.

3/ PROPERTY, PLANT AND EQUIPMENT

As at March 31, 2008	Cost	Accumulated amortization	Net book value
Office and other equipment	$ 105,806	$ 21,368	$ 84,438
Computer equipment	136,412	37,299	99,113
Leasehold improvements	6,177	1,739	4,438
Vehicles	61,941	29,852	32,089
	$ 310,336	$ 90,258	$ 220,078

As at December 31, 2007	Cost	Accumulated amortization	Net book value
Office and other equipment	$ 103,436	$ 17,061	$ 86,375
Computer equipment	133,174	29,646	103,528
Leasehold improvements	6,177	891	5,286
Vehicles	61,941	27,320	34,621
	$ 304,728	$ 74,918	$ 229,810

Amortization relating to exploration related assets in the amount of $11,965 (March 31, 2007 - $8,285) has been allocated to mineral properties during the period.

4/ MINERAL PROPERTIES

a) For the three month period ended March 31, 2008, significant expenditures were:

	Accha-Yanque	Minasccasa	Condorini	Other	Total
Balance, beginning of period	$ 10,961,495	$ 750,831	$ 106,208	$ 55,393	$ 11,873,927
Property, acquisition and maintenance	2,580	–	393	35,916	38,889
Analytical	124,118	–	559	–	124,677
Geology	583,842	3,220	15,101	5,625	607,788
Drilling	73,349	–	–	–	73,349
Technical and engineering	614,970	–	–	–	614,970
Research	277	–	136	–	413
Project administration	116,242	3,496	932	–	120,670
Balance, end of period	$ 12,476,873	$ 757,547	$ 123,329	$ 96,934	$ 13,454,683

b) For the year ended December 31, 2007, significant expenditures were:

	Accha-Yanque	Minasccasa	Condorini	Other	Total
Balance, beginning of year	$ 3,082,814	$ 737,568	$ 16,171	$ 55,393	$ 3,891,946
Property, acquisition and maintenance	10,219	12,217	38,475	–	60,911
Analytical	208,920	–	1,387	–	210,307
Geology	1,295,620	–	45,286	–	1,340,906
Drilling	3,867,922	–	–	–	3,867,922
Technical and engineering	1,938,490	–	–	–	1,938,490
Research	33,691	–	–	–	33,691
Project administration	526,430	1,046	4,889	–	532,365
Property costs written off	(2,611)	–	–	–	(2,611)
Balance, end of year	$ 10,961,495	$ 750,831	$ 106,208	$ 55,393	$ 11,873,927

The Company holds a 100% interest in the Accha-Yanque, Minasccasa and Other properties.

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 in the Codorini property from Brett Resources Inc. 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. To date the Company has made the required US$25,000 payment and has incurred US$101,401 in qualifying expenditures towards the US$200,000 commitment that must be completed by May 28, 2008. 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.

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.

b) Issued share capital

During the three months ended March 31, 2008, changes in issued share capital were as follows:

	Number of common shares	Amount	Contributed surplus
At December 31, 2006	76,600,000	$ 22,287,531	$ 828,294
Exercise of warrants	2,470,000	1,630,200	(395,200)
Exercise of options	54,833	43,633	(15,583)
Stock-based compensation	–	–	941,723
At December 31, 2007	79,124,833	$ 23,961,364	$ 1,359,234
Stock-based compensation	-	-	169,766
At March 31, 2008	$79,124,833	$23,961,364	$1,529,000

c) Stock options

At March 31, 2008 there were 5,986,000 stock options outstanding, of which 3,904,802 are exercisable.

Three month period ended March 31, 2008	Number of options	Weighted average exercise price
Outstanding at beginning of period	5,013,000	$ 0.59
Granted	1,028,000	0.34
Cancelled	(55,000)	0.65
Outstanding at end of period	5,986,000	$ 0.55
Exercisable at end of period	3,904,802	$ 0.57

Year ended December 31, 2007	Number of options	Weighted average exercise price
Outstanding at beginning of year	3,098,000	$ 0.50
Granted	2,146,000	0.72
Exercised	(54,833)	0.51
Cancelled or expired	(176,167)	0.54
Outstanding at end of year	5,013,000	$ 0.59
Exercisable at end of year	3,149,977	$ 0.57

As a result of stock options vesting and the amortization of previous grants during the three month period ended March 31, 2008, the Company recognized $169,766 (2007 – $335,902) as stock-based compensation expense and recorded this amount in contributed surplus. These amounts were recorded as follows:

	Three months ended March 31, 2008	Three months ended March 31, 2007
Consulting and management fees	$73,316	$146,469
General exploration	56,525	108,965
Office expense	39,925	80,468
Total	$169,766	$335,902

The value of the stock options granted during the three month periods ended March 31, 2008 and 2007 was determined using the Black-Scholes option pricing model. A weighted average grant-date fair value of $0.18 (March 31, 2007 - $0.36) for each option granted was estimated using the following weighted average assumptions: no dividends are to be paid; volatility of 78% (March 31, 2007 – 72%); risk free interest rate of 3.4% (March 31, 2007 – 4.0%); and expected life of 3.5 years (March 31, 2007 – 3.5 years).

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 March 31, 2008	As at December 31, 2007
Peru	$ 13,838,577	$ 12,201,014
Canada	81,942	110,046
Chile	41,541	-
	$ 13,962,060	$ 12,311,060

7/ RELATED PARTY TRANSACTIONS

During the three month periods ended March 31, 2008 and 2007, the Company paid its affiliate Southwestern and its subsidiary under the terms of two separate administrative services agreements for certain accounting, corporate secretarial and administrative services in Canada and Peru. In addition, during the same periods, the Company paid remuneration for management services to a company controlled by a director in common as follows:

	Three months ended March 31, 2008
Administrative services agreements	$ 50,318
Remuneration paid to a company controlled by a director	$ 37,500

	Three months ended March 31, 2007
Administrative services agreements	$ 82,805
Remuneration paid to a company controlled by a director	$ 43,750

As at March 31, 2008, there was an amount owing to Southwestern totalling $30,470 (December 31, 2007, $11,046) for miscellaneous services provided outside of the scope of the administrative services agreements. All related party transactions are measured at the exchange amount which is the consideration agreed to between the parties.

8/ MANAGEMENT OF CAPITAL RISK

The Company's capital consists of its cash, cash equivalents and tax credits receivable. The Company manages its capital to effectively fund its budgeted exploration and development expenditures and corporate costs with its 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.

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

9/ MANAGEMENT OF FINANCIAL RISK

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and other price risks. The risk related to financial instruments is managed by the senior management of the Company under policies and directions approved by the Board of Directors (the "Board"). Relevant policies include the Cash Investment Policy and the approval allowing up to $3 million of the Company's cash to be held in United States dollars at the discretion of the Chief Financial Officer. The Board monitors these policies on a quarterly basis. The Company's Board has not approved the use of derivative financial products.

a) Fair value estimation

The fair values of the Company's financial instruments are equivalent to their carrying values.

b) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations.

The Company's cash assets are held in demand accounts in Canada, Bermuda and Peru. All accounts are held at commercial banks with credit ratings of A or higher.

The Company's cash equivalents consist mainly of a single banker depository note with a major Canadian bank having a credit rating greater than A.

The Company applied for and was approved for early recovery of Impuesto General A Las Vuentas ("IGV") on certain exploration expenditures in Peru. IGV is a value added tax which charges at a rate of 19% on all goods and services. As a result, the Company has recorded IGV of $204,000 paid on qualifying expenditures, as a receivable. The Company's initial application for recovery of IGV is being reviewed as required by the program by the tax authorities of Peru and as such no IGV has been recovered to date. The IGV is receivable from the government of Peru. Should the early IGV recovery scheme be altered or terminated, IGV would be recoverable in the future as a credit against products sold from any mining operations.

c) 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 normal operating requirements on an ongoing basis as well as its planned capital expenditures. The Company manages its financial resources to ensure that there is sufficient working capital to fund near term planned exploration work and ongoing operating expenditures.

The Company has considerable discretion to reduce or increase plans or budgets depending on current and projected liquidity. Minimum expenditures over the next 12 months would be limited to approximately $125,000 in exploration costs at Condorini (including the next optional payment of US$25,000), $210,000 in property holding costs and approximately $1 million in corporate costs.

d) Currency risk

Currency risk is the risk that the fair value or 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 US dollars and incurs expenses principally in US dollars with secondary exposures to Peruvian soles and Canadian dollars. A strengthening Canadian dollar relative to these currencies reduces the Company's reported expenses and reduces its deferred mineral property investments. However, a strengthening Canadian dollar results in a foreign exchange loss on the Company's non-Canadian monetary assets. Therefore, the effects of currency movements on the Company's net income are limited.

A 10% strengthening in the Canadian dollar relative to the US dollar would increase the net loss by approximately $10,000 over the final three quarters of 2008 with a 10% weakening having the opposite effect. A 10% strengthening of the Canadian dollar relative to the US dollar would decrease budgeted deferred mineral property expenditures by approximately $400,000 over the final three quarters of 2008 with the opposite effect of a 10% strengthening. A 10% strengthening in the Canadian dollar relative to the Peruvian sole has an immaterial effect on the Company's net earnings.

e) 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 and cash equivalents. A 1% change in short term rates would change the interest income and net loss of the Company by approximately $30,000 over the final three quarters of 2008.

DIRECTORS

W David Black (Chair)

Timo Jauristo

Rex McLennan

Myron Osatenko

Henry Giegerich

OFFICERS

Timo Jauristo
President and CEO

Gregory Martin
VP and CFO

Gregory McCunn
VP Project Development

Vernon Arseneau
VP Exploration

Susy Horna
Corporate Secretary

For more information on our directors and management team, please visit www.zincoremetals.com/about/board.php

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