ZINCORE METALS INC.

Third Quarter Report

For the quarter ended September 30, 2008

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	September 30, 2008	December 31, 2007
ASSETS		
Current		
Cash and cash equivalents	$ 1,923,254	$ 8,395,468
Prepaids, advances and other receivables	86,044	157,176
	2,009,298	8,552,644
Other assets	20,997	65,435
Exploration advances and other receivables	440,226	141,888
Property, plant and equipment NOTE 4	194,883	229,810
Mineral properties NOTE 5	16,040,268	11,873,927
	$ 18,705,672	$ 20,863,704
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 321,596	$ 379,089
Due to affiliated companies	1,934	11,046
	323,530	390,135
SHAREHOLDERS' EQUITY		
Share capital NOTE 6(b)	23,961,364	23,961,364
Contributed surplus NOTE 6(b)	1,623,494	1,359,234
Deficit	(7,202,716)	(4,847,029)
	18,382,142	20,473,569
	$ 18,705,672	$ 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 September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
EXPENSES				
General exploration	$ 235,133	$ 244,376	$ 906,596	$ 851,961
Consulting and management fees	128,165	263,658	541,809	820,037
Office	122,415	138,078	370,472	521,932
Legal and accounting	67,454	35,276	170,063	95,389
Shareholder information	35,529	10,777	184,945	88,279
Travel	4,787	12,633	64,173	41,760
Amortization	2,800	2,706	9,142	5,465
Mineral property costs written off	–	2,611	292,334	2,611
Foreign exchange (gain) loss	(52,005)	131,018	(62,837)	420,558
Loss before undernoted item	(544,278)	(841,133)	(2,476,697)	(2,847,992)
Interest and other income	15,867	117,964	121,010	399,177
Net loss and comprehensive loss for the period	(528,411)	(723,169)	(2,355,687)	(2,448,815)
Deficit at beginning of period	(6,674,305)	(3,420,674)	(4,847,029)	(1,695,028)
Deficit at end of period	$ (7,202,716)	$ (4,143,843)	$ (7,202,716)	$ (4,143,843)
Loss per share – basic and diluted	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.03)
Weighted average number of shares outstanding	79,124,833	77,213,771	79,124,833	76,848,086

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

	Three months ended September 30, 2008	Three months ended September 30,2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
OPERATING ACTIVITIES				
Net loss for the period	$ (528,411)	$ (723,169)	$ (2,355,687)	$ (2,448,815)
Items not involving cash				
Mineral property costs written off	–	2,611	292,334	2,611
Stock-based compensation	46,727	264,315	264,260	818,777
Amortization	2,800	2,706	9,142	5,465
	(478,884)	(453,537)	(1,789,951)	(1,621,962)
Change in non-cash operating working capital items				
Decrease (increase) in prepaids, advances and other receivables	29,931	(15,131)	115,570	68,002
(Decrease) increase in accounts payable and accrued liabilities	(23,311)	162,395	44,418	123,807
Cash used in operating activities	(472,264)	(306,273)	(1,629,963)	(1,430,153)
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(394)	(21,212)	(8,000)	(108,394)
Mineral property expenditures	(1,225,861)	(2,436,869)	(4,834,251)	(6,555,856)
Cash used in investing activities	(1,226,255)	(2,458,081)	(4,842,251)	(6,664,250)
FINANCING ACTIVITY				
Shares issued	–	53,300	–	314,400
Cash provided by financing activity	–	53,300	–	314,400
Decrease in cash and cash equivalents during the period	(1,698,519)	(2,711,054)	(6,472,214)	(7,780,003)
Cash and cash equivalents at beginning of period	3,621,773	12,603,143	8,395,468	17,672,092
Cash and cash equivalents at end of period	$ 1,923,254	$ 9,892,089	$ 1,923,254	$ 9,892,089
Cash and cash equivalents consist of:				
Cash	$ 1,878,153	$ 4,707,349	$ 1,878,153	$ 4,707,349
Short-term investments	45,101	5,184,740	45,101	5,184,740
Cash and cash equivalents at end of period	$ 1,923,254	$ 9,892,089	$ 1,923,254	$ 9,892,089

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 3. 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 and nine month periods ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

2/ NATURE AND CONTINUANCE OF OPERATIONS

Zincore Metals Inc. (''Zincore'' or the ''Company'') is an exploration stage company engaged in the identification, acquisition, evaluation, exploration and development of zinc and base metal properties in Peru and elsewhere. The Company has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for resource properties is dependent upon proving economically recoverable reserves, obtaining necessary financing to complete the development of such mineral reserves and attaining profitable production or proceeds from disposition.

The Company's continuing operations are dependent upon its ability to either secure additional equity capital, divest assets or generate cash flow from operations in the future, none of which are assured. These consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary, should the Company be unable to secure additional equity capital or generate cash from operations in the future.

Current market conditions make the present environment for raising additional equity financing unfavourable. The inability to raise additional financing may impact the future assessment of Zincore as a going concern under CICA 1400 General Standards of Financial Statement Presentation.

3/ 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 9 of these interim consolidated financial statements.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing 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 10 of these interim consolidated financial statements.

4/ PROPERTY, PLANT AND EQUIPMENT

As at September 30, 2008	Cost	Accumulated amortization	Net book value
Office and other equipment	$ 107,664	$ 29,614	$ 78,050
Computer equipment	136,942	51,342	85,600
Leasehold improvements	6,177	2,511	3,666
Vehicles	61,941	34,374	27,567
	$ 312,724	$ 117,841	$ 194,883

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 $33,785 (September 30, 2007 - $27,611) has been allocated to mineral properties during the nine month period ended September 30, 2008.

5/ MINERAL PROPERTIES

a) For the nine month period ended September 30, 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	173,879	12,764	11,394	69,871	267,908
Analytical	253,282	–	12,071	1,780	267,133
Geology	1,306,217	3,736	31,163	66,052	1,407,168
Drilling	962,602	–	129,285	–	1,091,887
Technical and engineering	938,390	–	–	–	938,390
Research	2,317	–	136	568	3,021
Project administration	475,876	4,889	2,077	326	483,168
Mineral property costs written off	–	–	(292,334)	–	(292,334)
Balance, end of period	$ 15,074,058	$ 772,220	$ –	$ 193,990	$ 16,040,268

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
Mineral 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. Refer to Zincore's Management's Discussion and Analysis for the quarter ended September 30, 2008 for a review of the exploration and development activities on the properties.

In February 2007, the Company entered into agreements to earn an interest in the Cerro Condorini property from Brett Resources Inc. During the second quarter of 2008, the Company completed its initial exploration and expenditure requirements under the agreement and drilled eight diamond drill holes on the property. Based on the results of the work completed, Zincore decided to terminate the agreements and, as a result, all deferred mineral property expenditures relating to the Condorini property were written off in the second quarter of 2008.

6/ 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 nine months ended September 30, 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	–	–	264,260
At September 30, 2008	79,124,833	$ 23,961,364	$ 1,623,494

c) Stock options

At September 30, 2008 there were 5,490,997 stock options outstanding, of which 3,911,978 are exercisable.

Nine month period ended September 30, 2008	Number of options	Weighted average exercise price
Outstanding at beginning of period	5,013,000	$ 0.59
Granted	1,488,000	0.28
Forfeited	(1,010,003)	0.60
Outstanding at end of period	5,490,997	$ 0.50
Exercisable at end of period	3,911,978	$ 0.54

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
Forfeited	(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 and nine month periods ended September 30, 2008, the Company recognized $46,727 (2007 – $264,315) during the three month period and $264,260 (2007 – $818,777) during the nine month period as stock-based compensation expense and recorded this amount in contributed surplus. These amounts were recorded as follows:

	Three months ended September 30, 2008	Nine months ended September 30, 2008
Consulting and management fees	$ 15,181	$ 76,321
General exploration	11,955	102,677
Office	19,591	85,262
Total	$ 46,727	$ 264,260

	Three months ended September 30, 2007	Nine months ended September 30, 2007
Consulting and management fees	$ 139,724	$ 376,253
General exploration	68,630	246,865
Office	55,961	195,659
Total	$ 264,315	$ 818,777

The value of the stock options granted during the nine month periods ended September 30, 2008 and 2007 was determined using the Black-Scholes option pricing model. A weighted average grant-date fair value of $0.15 (September 30, 2007 - $0.36) for each option granted was estimated using the following weighted average assumptions: no dividends are to be paid; volatility of 79% (September 30, 2007 – 71%); risk free interest rate of 3.3% (September 30, 2007 – 4.1%); and expected life of 3.5 years (September 30, 2007 – 3.5 years).

7/ 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 September 30, 2008	As at December 31, 2007
Peru	$ 16,498,219	$ 12,201,014
Chile	109,190	–
Canada	69,716	110,046
Mexico	19,249	–
Total	$ 16,696,374	$ 12,311,060

8/ RELATED PARTY TRANSACTIONS

During the three and nine month periods ended September 30, 2008 and 2007, the Company paid its significant shareholder Southwestern Resources Corp. ("Southwestern") and Southwestern's subsidiary under the terms of two separate 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 September 30, 2008	Nine months ended September 30, 2008
Services agreements	$ 46,707	$ 148,699
Remuneration paid to a company controlled by a director	$ 28,750	$ 152,500
	Three months ended September 30, 2007	**Nine months ended September 30, 2007**
Services agreements	$ 52,091	$ 202,758
Remuneration paid to a company controlled by a director	$ 27,500	$ 107,500

As at September 30, 2008, there was an amount owing to Southwestern of $1,934 (December 31, 2007 - $11,046) for miscellaneous services provided outside of the scope of the services agreements. All related party transactions are measured at the exchange amount which is the consideration agreed to between the parties.

9/ MANAGEMENT OF CAPITAL RISK

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, contributed surplus and deficit. Its capital resources consist of cash, cash equivalents and tax credits receivable. The Company manages its capital to fund its exploration and development expenditures and corporate costs with the 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 "Board").

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 "Cash Investment Policy").

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.

See Note 10 for further comments regarding liquidity risk.

10/ 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. Relevant policies include the Cash Investment Policy and the approval allowing a portion 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, Peru, Bermuda, Chile and Mexico. All accounts are held at commercial banks with credit ratings of A or higher.

The Company withdrew the majority of its cash and cash equivalents from its bank accounts in Bermuda and repatriated the funds to accounts in Canada to insulate Zincore from the credit risk of the Bermuda bank that held its deposits.

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 is charged at a rate of 19% on all goods and services. As a result, the Company has recorded IGV of $412,000 (December 31, 2007 - $115,000) paid on qualifying expenditures, as a receivable. The Company's initial application for recovery of IGV has been reviewed as required by the tax authorities of Peru but to date no IGV has been recovered under the program. 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 operating requirements 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 operating expenditures.

The Company's liquidity position has deteriorated significantly since the beginning of the year due to ongoing exploration, development and corporate costs combined with no capital raisings during this period. Current market conditions due to low zinc prices and the global credit crisis are not supportive of equity financings for junior exploration and development companies like Zincore. As a result, the Company has significantly reduced its exploration and corporate budgets to reduce spending and preserve liquidity.

Total net budgeted cash expenditures for the balance of 2008 on corporate costs, exploration and technical work is $700,000. The Company is currently evaluating alternatives to raise additional capital to increase liquidity into 2009.

If additional capital can not be raised during the next quarter, all significant exploration activities would cease by putting the Company into a "care and maintenance" state in order to preserve the asset portfolio and provide time for the junior equity financing market to improve. It is estimated that, under these conditions, the Company could continue to operate into the fourth quarter of 2009.

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 U.S. dollars and incurs expenses principally in U.S. dollars with smaller exposures mainly to Peruvian soles and Canadian dollars. A weakening Canadian dollar relative to these currencies increases the Company's reported expenses and increases its deferred mineral property investments. However, a weakening Canadian dollar results in a foreign exchange gain on the Company's non-Canadian monetary assets. Therefore, the effects of currency movements on the Company's net income are limited.

A 10% weakening in the Canadian dollar relative to the U.S. dollar would decrease the net loss by approximately $5,400 over the final quarter of 2008 with a 10% strengthening having the opposite effect. A 10% weakening of the Canadian dollar relative to the U.S. dollar would increase budgeted deferred mineral property expenditures by approximately $21,000 over the final quarter of 2008 with the opposite effect of a 10% strengthening. A 10% weakening in the Canadian dollar relative to the Peruvian sole has an immaterial effect on the Company's net earnings.

During the current global credit crisis the USD has appreciated significantly against most currencies including the Canadian dollar. An approximate 10% weakening of the Canadian dollar against the USD has occurred since the end of the third quarter 2008 and the currency markets have been volatile.

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% decrease in short term rates would decrease interest income and increase net loss of the Company by approximately $3,900 over the final quarter 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

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

HEAD OFFICE

Zincore Metals Inc.
Suite 1020
625 Howe Street
Vancouver, BC
V6C 2T6 Canada

Tel 604 669 6611
Fax 604 669 6616
info@zincoremetals.com
www.zincoremetals.com

EXPLORATION OFFICE

Exploraciones Collasuyo S.A.C.
Av. Del Parque Norte 829
Corpac San Isidro, Lima 27 Peru

Tel 511 225 1125
Fax 511 225 2273

INVESTOR RELATIONS

Meghan Brown
Tel 604 685 4644
mbrown@zincoremetals.com

AUDITORS

Deloitte & Touche LLP
Four Bentall Centre
Suite 2800
1055 Dunsmuir Street
Vancouver, British Columbia
V7X 1P4 Canada

TRANSFER AGENT

Computershare Investor Services Inc.
510 Burrard Street
Vancouver, British Columbia
V6C 3B9 Canada

Toll-free within North America:
1 (800) 564 6253
International: (514) 982 7555
service@computershare.com

Manage your shares online at
Computershare's Investor Centre at:
www.computershare.com

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