



ZINCORE METALS INC.

A Zinc Exploration Company

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For the Three and Nine Months Ended  
September 30, 2010 and 2009

**Management's  
Discussion and Analysis**

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**For the Three and Nine Months Ended September 30, 2010 and 2009**  
**All figures in Canadian dollars unless otherwise noted**

## GENERAL

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The following Management's Discussion and Analysis ("MD&A") of Zincore Metals Inc. and its subsidiaries ("Zincore" or the "Company"), for the three and nine month periods ended September 30, 2010 and 2009 should be read in conjunction with the Company's unaudited interim financial statements for the three and nine month periods ended September 30, 2010 and 2009 and the audited financial statements for the years ended December 31, 2009 and 2008 all of which are available on the Company's website at [www.zincoremotals.com](http://www.zincoremotals.com) or on the SEDAR website at [www.sedar.com](http://www.sedar.com). Additional information relating to the Company, including its Annual Information Form ("AIF") dated March 12, 2010, is also available on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A has taken into account information available up to and including November 9, 2010.

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 is currently engaged in exploration and development of mineral properties and does not have any source of revenue or operating assets. The recoverability of the amounts shown for mineral properties is dependent upon the ability of the Company to obtain necessary financing to complete exploration, technical studies and, if warranted, development and 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.

## FORWARD-LOOKING STATEMENTS

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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 Zincore's AIF. 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 other than as required pursuant to applicable securities laws.

## OUTLOOK

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With the completion of four equity financings since September 2009, as well as the positive metallurgical test results received in 2010, the Company is in a position to continue to advance its existing projects, as well as to pursue other opportunities. Gross proceeds from the most recent financing, completed on November 9, 2010, totalled \$12,015,000. The priority exploration projects in Peru are the Accha Zinc Oxide District, the Dolores copper porphyry target, and the Sajapampa property. In Canada, a work program is on-going on the Gatineau project in Québec.

At the Accha Zinc Oxide District, the Company is carrying out testing of a pyrometallurgical process, and re-modelling and optimizing the resources. Laboratory testing of the Waelz kiln process, a reductive roasting technology, returned positive results of 97% and 76% of zinc extraction from Accha and Yanque ores respectively. Given such favourable results, the Company decided to go ahead with pilot plant testing of larger samples from both deposits. A ten tonne representative sample from the Accha deposit was tested, under the supervision of Metallicon Process Consulting ("Metallicon") and Hatch, at the Cementos Pacasmayo SA plant located in Pacasmayo, Peru. Results were extremely positive at Accha. For a head grade (ore grade) treated of 10.3% zinc and 1.1% lead, recoveries were in excess of 92% zinc and 99% lead which produced a calcine concentrate with grades greater than 65% zinc and 7% lead. A ten tonne representative sample from the Yanque deposit was also collected and sent to the Cementos Pacasmayo SA plant for testing under the same control conditions as for the Accha sample. At Yanque, for a head grade (ore grade) treated of 10.7% zinc and 1.8% lead, recoveries were in excess of 93% zinc and 98% lead which produced a calcine concentrate with grades greater than 61% zinc and 11% lead. Further work and testing is on-going in order to improve these already positive results.

The review of the Accha geological model was successful in the identification of high grade sections from the deposit that could potentially be mined during the initial years of production. Based on a study of 300 metres (Sections 186500E to 185800E) of the

total 700 metres that comprises the entire known deposit a new three-dimensional wireframe model was developed. This wireframe model confirms that the higher grade zinc and lead mineralization occurs in a continuous ore body, enhancing the understanding of the deposit.

As a result of the review, the Company initiated a 5,760 metre in-fill diamond drilling program on Sections 186500E to 186800E to allow the classification of a significant portion of the high grade part of the deposit as Indicated. The definition drilling program is now nearly completed. The Company also completed a similar modelling on the other 400 metres of the deposit in Sections 186100E to 186400E. Company geologists have completed re-logging of all historical drill core from the deposit and the revised information was submitted to Micon International ("Micon") for inclusion into an updated geological model.

Upon completion of this drill program, a new model of the entire Accha deposit will be constructed and a Mineral Resources Estimate and accompanying NI 43-101 Technical Report are expected to be generated by the end of the first quarter of 2011.

At Accha, a formal agreement was signed with the main community holding the surface rights to the deposit area, giving the Company access to the lands for a five year period. Discussions were completed with the community that is the closest neighbor to the deposit and a new access agreement has also been signed.

At Yanque, negotiations with the community regarding an access agreement were successfully completed in July 2010. The new agreement is similar to the recently signed agreement with the community holding the surface rights to the Accha deposit and also gives the company access to the area for a five year period. At the end of October 2010, Micon had entered all pre-existing drill data into the new geological model and this information is being used to develop the next phase of definition drilling. All the necessary data has now been collected for the presentation of the application for the drill permit and the Company expects to receive approval in November 2010. Drilling will begin shortly after the permit is approved.

Geophysical surveys at the Sajapampa project, optioned from Pembroke Mining Corp. ("Pembroke"), a Company related to Zincore by directors in common, have been completed. A drill program has been designed in order to test the better targets. Drilling is expected to begin during the fourth quarter of 2010. As part of the process to obtain the drill permit from the government, discussions were held with the local communities to explain the plans for the up-coming drill campaign and local residents have expressed support for continued work by the Company. The Company already has access agreements signed with both communities holding surface rights to the project area. The Company submitted and received approval for a drill permit in October 2010.

On the Dolores property the company has submitted an application for a drill permit to the government and drilling will begin once all the results of the geophysical work to date have been compiled and all required permits has been approved.

In Canada, at the Gatineau project, the exploration program consisting of ground geophysical surveys and additional geological mapping of priority AEM targets was completed during September. Interpretation of results and selection of drill targets was carried out during October. Drilling is expected to start in the fourth quarter of 2010.

The Company continues to investigate other zinc-lead opportunities in Canada, as well as Mexico, in order to geographically diversify its project portfolio.

## **DESCRIPTION OF BUSINESS**

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Zincore is an exploration stage mining company engaged in the identification, acquisition, evaluation, exploration and development of zinc and base metal properties in Peru, Canada, and Mexico. Its primary objective is to define economically feasible projects through focused exploration and to develop, joint venture, or sell properties of economic merit. Zincore's properties are currently in the exploration stage and are thus non-producing and consequently do not generate revenue or cash flow from operations. The Company is dependant on additional equity or debt capital or proceeds from divestitures to finance its activities.

Zincore's main activities are related to exploration, definition drilling and technical studies at its Accha Zinc Oxide District in Peru, and initial exploration at its other properties to further assess potential and develop more detailed exploration programs. The Company is also actively searching for projects in other countries such as Canada and Mexico.

In January 2010, the Company announced the appointment of Mr. Adam Ho as its Manager, Investor Relations.

In late May 2010 the Company announced that its shares had been approved for trading on the Bolsa de Valores de Lima ("BVL"). Kallpa Securities Sociedad Agente de Bolsa acted as Zincore's sponsoring broker in securing the necessary approvals to achieve the listing. Zincore shares became available for trading on the Lima Stock Exchange under the symbol ZNC.

## OVERALL PERFORMANCE AND CURRENT ECONOMIC CONDITIONS

Along with the price of other base metals, the price of zinc strengthened during the third quarter of 2010. Zinc related equities have begun to recover from their slump during the first half of the year with Zincore's share price having an especially strong late September, early October surge. This is a reflection of the positive metallurgical studies completed on the Accha Zinc Oxide District, strong in-fill drill results at Accha, and the discovery of a potentially large copper-gold porphyry at Dolores.

Metal price performance remains linked to expectations regarding near term global economic conditions. These expectations are driving the demand outlook for base metals including zinc.

On March 4, 2010, Hochschild Mining plc ("Hochschild") sold its investment in Zincore to Inversiones Pacasmayo SA ("Inversiones Pacasmayo"). At the time of the transaction Inversiones Pacasmayo held 36.9% of the outstanding common shares of Zincore. Inversiones Pacasmayo's subsidiary uses a Waelz rotary kiln at its facility in northern Peru to process zinc and lead oxide ore from the Bongara deposit. Zincore is testing this same pyrometallurgical process with ores from the Accha Zinc Oxide District discussed in the "Project Review" section below.

During the course of 2010 the Company has raised gross proceeds totalling \$15,523,001 in a number of transactions by issuing 2,000,004 flow through common shares, 26,700,000 common shares, and 8,308,572 units (each unit comprising one common share and one half share purchase warrant). Proceeds from these offerings are being used by Zincore for in-fill drilling at the Accha Zinc Oxide District in southern Peru and for ongoing exploration and development programs at its Gatineau zinc property in Québec.

During 2010 the Company entered into three mineral property agreements. In January 2010, the Company announced that it had entered into an option agreement with Pembroke to earn 100% interests in Pembroke's Cariboo and Sajapampa zinc-lead properties located in Canada and Peru, respectively. In April 2010 the Company optioned a zinc-lead property located in the province of Québec (the "Gatineau Property") from Midland Exploration Inc. ("Midland"), and in June 2010 the Company entered into an option agreement with a subsidiary of Hochschild to earn a 100% interest in the Gema properties in southern Peru. The Gema properties contain several zinc and lead oxide manto outcrops adjacent to the Accha Zinc Oxide District. See further details in the Financial Condition, Liquidity, and Capital Resources section below.

Significant progress was made on the Company's optimization program on the Accha Zinc Oxide District. This optimization program includes re-modelling previously completed results in the Accha Zinc Oxide District to optimize the geological resource model and mine plan, and testing alternative metallurgical processes. The testing of alternative metallurgical processes has especially generated positive results.

As at September 30, 2010, the Company had working capital totaling \$1,494,915.

## RESULTS OF OPERATIONS

	THREE MONTHS ENDED SEPTEMBER 30, 2010	THREE MONTHS ENDED SEPTEMBER 30, 2009
Salaries and benefits	\$ 293,734	\$ 149,235
Other general and administrative expenses	\$ 195,442	\$ 132,175
General exploration	\$ 269,066	\$ 202,890
Consulting and management fees	\$ 122,172	\$ 242,157
Mineral property costs written off	\$ -	\$ 194,852
Foreign exchange loss (gain)	\$ 42,209	\$ (5,059)
Depreciation	\$ 1,484	\$ 1,481

Total expenses were higher during the third quarter of 2010 relative to the same period in 2009 primarily due to the increase in corporate activity. Whereas up until August 2009 the majority of the Company's executive services were provided by part time contractors or through administrative services agreements, the Company now has a full time dedicated employed staff. There were also higher travel costs during the third quarter of 2010 due to the Company's continued efforts to re-introduce itself to the investment community and raise funds after scaling back its activities in 2008 and the beginning of 2009. The Company also incurred moving costs when it subleased new office space in September 2010 which also contributed to the higher office costs.

Salaries and benefits were significantly higher during the third quarter of 2010 compared to the same period in 2009 due to higher staffing levels. As well, Board fees have significantly increased in 2010 as the Company felt the fee increases were

necessary to recruit and retain the best possible Board given the higher corporate activity. Also the number of Board members has increased. Included in salaries and benefits in during the third quarter of 2010 is stock-based compensation totalling \$70,760 relating to stock options granted.

Other general and administrative expenses were higher during the third quarter of 2010 compared to the same period in 2009 reflecting the higher level of corporate activity. The most significant increases were in travel and shareholder information costs as the Company re-introduced itself to the investment community and continued its focus on raising additional funds. Staffing levels have also increased and the Company incurred moving costs when its head office moved into new office space in September 2010. General exploration expense was higher during the third quarter of 2010 when compared to the same period in 2009, reflecting higher administrative spending in Peru due to staff increases, higher non-property related exploration costs in Peru, Canada and Mexico, and higher stock-based compensation.

During the first nine months of 2010 there have been no mineral property costs written off. During the third quarter of 2009, the Company wrote off expenditures totalling \$194,852 relating mineral properties in Mexico and Chile.

As a result of stock options vesting and the amortization of previous grants, during the three months and nine months ended September 30, 2010 the Company recognized \$107,642 (September 30, 2009 – \$569) and \$401,380 (September 30, 2009 - \$11,197) as stock-based compensation expense and recorded this amount in contributed surplus. These amounts were recorded as follows:

	THREE MONTHS ENDED SEPTEMBER 30, 2010	THREE MONTHS ENDED SEPTEMBER 30, 2009	NINE MONTHS ENDED SEPTEMBER 30, 2010	NINE MONTHS ENDED SEPTEMBER 30, 2009
Consulting and management fees	\$ 8,592	\$ 285	\$ 46,397	\$ 9,489
General exploration	28,290	284	74,273	383
Salaries and benefits	70,760	-	280,710	1,325
Total	\$ 107,642	\$ 569	\$ 401,380	\$ 11,197

The value of the stock options granted during the three and nine months ended September 30, 2010 and 2009 was determined using the Black-Scholes option pricing model. During 2010, the weighted average grant-date fair value of \$0.28 for options granted was estimated using the following weighted average assumptions: no dividends are to be paid; volatility of 164%; risk free interest rate of 2.7%; and expected life of 3.5 years. There were no grants during the first three quarters of 2009.

During the three month period ending September 30, 2010 the Company incurred a foreign exchange loss of \$42,209 compared to a \$5,059 gain during the same period in 2009. Foreign exchange gains and losses result primarily from the translation of U.S. dollar denominated monetary assets and liabilities into Canadian dollars.

## PROPERTY REVIEW

### Accha Zinc Oxide District

Including the recent addition of the Gema properties, the 100%-owned Accha Zinc Oxide District covers over 50,000 hectares and hosts zinc and lead oxide mineral reserves at the Accha deposit and mineral resources at both the Accha and Yanque deposits: the Accha deposit is at the north end of the belt and the Yanque deposit is 30 kilometres to the south. Mineralization has been identified in nine other locations in the District and initial exploration on certain targets has been completed. Given the proximity of these projects and prospects, Zincore management now views the Accha Zinc Oxide District as a single operation. To that end, the Company has re-modelled previously completed results to optimize the resources and is testing an alternative metallurgical process that could be used at a central processing facility for the entire district.

#### Accha

In 2007 Zincore completed a 15,400-metre exploration and infill drill program on the Accha deposit. The results were integrated into the historical drill database and a NI 43-101 mineral resource estimate was prepared by independent consultant Pincock, Allen & Holt ("PAH") and released on December 6, 2007<sup>1</sup>. The results showed that Accha hosts high-grade, near surface zinc oxide mineralization and reported 5.1 million tonnes of indicated mineral resources at 8.2% zinc and 0.9% lead and 1.4 million tonnes of inferred mineral resources at 5.9% zinc and 0.7% lead.

<sup>1</sup> For full details see press release dated December 6, 2007 available on Zincore's website at [www.zincoremals.com](http://www.zincoremals.com) or on SEDAR

This resource estimate, combined with metallurgical test work completed during 2007, provided the basis for completion of a preliminary feasibility study ("PFS") in 2008 on the Accha deposit. Led by SNC Lavalin Chile, the PFS looked at the technical capability of producing zinc oxide concentrates from Accha ore and also assessed the economic merits of selling the zinc oxide concentrates. On May 1, 2008, Zincore released the results of the PFS<sup>2</sup> which concluded Accha could produce 130,000 tonnes of zinc oxide concentrate grading approximately 27% zinc annually over a seven-year mine life. The PFS estimated site operating costs at U.S. \$0.28 per pound and pre-production capital costs at approximately U.S. \$65 million. The PFS mine plan would be a combination of open pit followed by underground mining to supply ore to a conventional dense media separation, milling and flotation circuit.

As a result of the PFS, a portion of Accha mineral resources was reclassified as mineral reserves, totaling 4.2 million tonnes grading 7.9% zinc and 0.8% lead. A revised technical report on the deposit was filed on SEDAR in June 2008.

The PFS also identified a number of opportunities to improve the Project, principally related to resource estimate increases by infill drilling of the inferred mineral resources to convert them to indicated mineral resources and exploration drilling where the deposit remains open. Since the end of 2009, the Company has been working on further optimizing this project by investigating other metallurgical procedures to increase recoveries and then having all the ore in this district treated in one central processing facility. Laboratory testing, during 2010, of a reductive roasting technology (Waelz Kiln) returned positive results of 97% zinc extraction from Accha ores. The test work was carried out at the Mintek Research Facility in South Africa, under the supervision of Metallicon. Following these positive initial results, the Company decided to go ahead with pilot testing of larger samples. A ten tonne representative sample from the Accha deposit has been tested, under the supervision of Metallicon and Hatch, at the Cementos Pacasmayo SA plant located in Pacasmayo, Peru. Results, which were released in August 2010, were extremely positive. For a head grade (ore grade) treated of 10.3% zinc and 1.1% lead, recoveries were in excess of 92% zinc and 99% lead which produced a calcine concentrate with grades greater than 65% zinc and 7% lead.

A summary report on the test results is available on the Zincore website at [www.zincoremotals.com](http://www.zincoremotals.com). The metallurgical test work to date on the Accha ore has confirmed that a Waelz kiln can process disparate ores from different deposits while delivering high percentage recoveries and grades. More work is to be done to optimize the process but the findings so far are positive for the economics for the whole Accha Zinc Oxide District.

The re-modeling of resources at Accha was also completed in early 2010 and was based on previous work done for Zincore, which identified a strong correlation between a Coral Reef facies, which is a very porous rock body within the Laminated Limestone Unit, and the highest grades of zinc mineralization. Zincore geologists recently furthered this work by revisiting the core logs and outcrops at Accha to identify the Reef material and generate cross-sections through the best, near surface mineralization to confirm the original interpretation. Four north/south cross-sections at 186600E, 186650E, 186700E and 186750E were generated and the correlation between Coral Reef and high grade zinc mineralization was clearly visible. This sectional interpretation was then used by Micon to build a three-dimensional wireframe model of a 300 metre long portion of the Accha deposit from sections 186500E to 186800E.

Micon's wireframe model confirms that the higher grade zinc and lead mineralization occurs in a continuous ore body, enhancing the understanding of the deposit.

As part of their report, Micon confirms the numbers published in the PAH report. Micon has also proposed 5,760 metres of in-fill diamond drilling to allow the classification of a significant portion of the high grade section of the deposit as Indicated Mineral Resources. Zincore is currently implementing this program and drilling began at Accha in late June. The definition program is well advanced and expected to be completed in early November. The re-logging of all historical drill holes was also completed and a set of re-interpreted sections was sent to Micon in order to better define the high grade portions of the deposit. Some surface work including mapping and trenching was also done to locate the contacts between the high grade and lower grade sections of the deposit. Several trenches done on the interpreted northern limb extension of the deposit intersected outcrops of high grade reef mantos over several meters. Company geologists feel confident that these outcrops represent a new zone lying above the main Accha deposit which opens up excellent exploration potential for increasing the overall size of the resources.

Upon completion of the recommended drill program, a new model of the entire Accha deposit will be constructed and a Mineral Resources Estimate and accompanying NI 43-101 Technical Report is expected to be generated by the end of the first quarter of 2011.

Formal agreements were signed with the main community holding the surface rights to the deposit area and the closest neighbor, giving the Company access to the lands for a five year period.

<sup>2</sup> For full details see press release dated May 1, 2008 available on Zincore's website at [www.zincoremotals.com](http://www.zincoremotals.com) or on SEDAR

## Yanque

During 2008 Zincore successfully completed the first phase drilling program at Yanque. The program consisted of drilling 45 holes totalling 6,527 metres over a two year period beginning in 2007. The first 21 holes drilled provided the basis for an updated mineral resource estimate. On March 3, 2008, Zincore released an updated mineral resource estimate prepared by Pincock Allen & Holt that estimates that Yanque contains 10.3 million tonnes of near surface zinc and lead oxide inferred mineral resources grading 5.3% zinc and 5.3% lead<sup>3</sup>. The new estimate represented a 55% increase in tonnes and an 88% increase in contained metal over the previous inferred mineral resource estimate. All of the resources are near surface and amenable to open pit mining. A technical report relating to this mineral resource estimate was filed on SEDAR in April 2008.

Results of previous metallurgical work on Yanque samples indicated low recovery of zinc minerals into concentrate due to the presence of a high amount of zinc clays and lower grade zinc minerals that do not respond favorably to dense media separation. The Company investigated alternative metallurgical procedures to increase recoveries and with the ability of treating all ores from the Accha Zinc Oxide District in one central processing facility. Laboratory testing of a reductive roasting technology, performed in 2010, returned positive results of 76% zinc extraction. The test work was carried out at the Mintek Research Facility in South Africa, under the supervision of Metallicon. Following these positive initial results, the Company decided to go ahead with pilot testing of larger samples.

A ten tonne representative sample from the Yanque deposit was collected and sent to the Cementos Pacasmayo SA plant for testing under the same control conditions as for the Accha sample discussed above. For a head grade (ore grade) treated of 10.7% zinc and 1.8% lead, recoveries were in excess of 93% zinc and 98% lead which produced a calcine concentrate with grades greater than 61% zinc and 11% lead. These results were released in September 2010 and a summary report is available on the Company website at [www.zincoremals.com](http://www.zincoremals.com).

As it was for the Accha ore discussed above, the metallurgical test work to date on the Yanque ore has also confirmed that a Waelz kiln can process disparate ores from different deposits while delivering high percentage recoveries and grades. More work will be done to optimize the process.

At the end of October 2010, Micon had entered all pre-existing drill data into the new geological model and this information is being used to develop the next phase of definition drilling. All the necessary data has now been collected for the presentation of the application for the drill permit and the company expects to receive approval sometime in November 2010. Drilling will begin shortly after the permit is approved.

Negotiations with the community regarding an access agreement were successfully completed in July 2010. The new agreement is along the lines of the recently signed agreement with the community holding the surface rights to the Accha deposit and also gives the Company access to the area for a five year period.

## Other Accha Zinc Oxide District Prospects

Located within the Accha Zinc Oxide District are as many as nine other zinc oxide prospects, including Corrales, Gema, Puyani, Yanque East, and Titiminas West, on which the Company plans to perform further work.

The Gema Properties are located adjacent to Zincore's Yanque Project; the main Gema prospect is located nine kilometres northwest of Yanque. Gema is hosted in the same sedimentary units of oxidized limestones as Yanque, with mineralized gossans that outcrop sporadically. There is no evidence of previous exploration other than small pits by artisanal miners. Several mineralized mantos have been identified in three separate areas of concentration, along strike over a distance of more than one kilometre. The mantos average between one and four metres in width and contain anomalous values of lead, zinc, silver and locally gold. A two metre channel sample collected by Zincore personnel from one of the mantos returned values of 729 parts per billion Au, 189g/t Ag, 8.38%Pb and 1.16%Zn.

Zincore's 2010 Gema exploration program will consist of detailed mapping and trenching to better define the continuity and grades of the mineralized gossans.

## Dolores

In 2008 the Company discovered a copper-gold porphyry target east of Yanque called Dolores. A large target area was identified, however sampling and assaying were confined to a road cut that exposed the underlying mineralization and returned encouraging high-grade values.

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<sup>3</sup> For full details see press release dated March 3, 2008 available on Zincore's website at [www.zincoremals.com](http://www.zincoremals.com) or on SEDAR

In 2010 surface mapping, sampling and geophysical work has confirmed that the Dolores prospect forms a large porphyry system that is approximately six kilometres in diameter. High grade copper-gold mineralization associated with classic potassic and phyllic alteration within a larger argillic halo exposing characteristic multiple phase porphyritic intrusions, hydrothermal breccias, dense stock-work veining and peripheral skarn mineralization are exposed along a recently improved access road to the community of Yanque.

Mapping by company geologists during the third quarter of 2010 has identified other mineralized areas within the Dolores target area and work continues to better define these targets.

VDG del Peru SAC of Lima has been contracted to carry out a deep reconnaissance IP survey over 22 square kilometres with 500 metre line-spacing (48 line kilometres). Magnetic and Gamma Spectrometry are also being completed within the same target area at 250 metre line spacing (92 line kilometres). Approximately 80% of the survey has been completed and preliminary results to date indicate the presence of large chargeability and magnetic anomalies that are consistent with porphyry style mineralization.

The company has submitted an application for a drill permit to the government and drilling will begin once all the results have been compiled and the required permits have been approved.

### **Other Exploration Properties**

At the 100%-owned Minascasa property, located in the Andahuaylas-Yauri metallogenic belt in southern Peru, 400 km southeast of Lima, Zincore has retained dedicated community relations personnel to focus on reaching an agreement with local communities regarding the project. Recent discussions with the community leaders of one of the principal communities involved in the project have demonstrated a willingness to reach an agreement with the Company. Discussions on the terms of agreement with community leaders are on-going.

In January 2010 the Company announced that it had entered into an option agreement with Pembroke, a company related to Zincore by way of directors in common, to earn a 100-per-cent interest in Pembroke's Cariboo and Sajapampa zinc-lead properties located in Canada and Peru, respectively.

The Cariboo Zinc Property consists of 15 claims totaling 4,280 hectares and is easily accessible from the town of Quesnel, 115 kilometres to the northwest, in south central British Columbia. The Property is underlain, amongst other lithologies, by dolomite that hosts widespread Zn-Pb mineralization over a nine by one kilometre area. Chip samples taken by Zincore on the Gunn Zone returned 7.8% Zn over 17 metres including 10.12% over 10 metres and 21.8% Zn over 2.8 metres. Mineralization consists of massive zinc and lead sulphides with minor oxides.

A program of soil sampling and geological mapping to complete coverage of the Property, followed by 2,000 metres of diamond drilling in eight holes, was planned for 2010 but is currently on hold pending the approval of the drill permit by provincial authorities.

The Sajapampa Property comprises 6,000 hectares, located 200 kilometres southeast of Lima. Mineralization on the Sajapampa property is hosted at surface by what are believed to be shallow volcanic and sedimentary rocks overlying the Jumasha Limestone formation, which is known to host massive carbonate replacement and skarn ore bodies in central Peru. The conceptual targets in the underlying limestone, including zones of skarn-development, carbonate replacement ore bodies and intrusion-related systems, are indicated by the occurrence of widespread structure related mineralization leakage into the upper volcanic-sedimentary sequence.

Exploration in the overlying volcanic-sedimentary cover completed during the 2007 field season by Pembroke included district-wide drainage sampling, scout rock-chip sampling, trench excavation and channel sampling. Mineralization occurs as a variety of related styles and comprises: multiple high-grade lead-zinc-silver-copper shear and vein zones which returned values up to 41.1% zinc and 30.0% lead; carbonate-quartz-garnet alteration halos to the high-grade vein and shear zones which returned values up to 7% zinc and 19.3% lead, and extensive and bedding-conformable replacement manto-style carbonate-mineralization in the volcanic stratigraphy which returned values up to 22.6% zinc and 1.2% lead.

Geophysical surveys have recently been completed on the Sajapampa property and the Company plans to design a follow-up drill program once all the results have been reviewed.

In April 2010 the Company optioned a promising zinc land package from Midland. The Gatineau project is located in the province of Québec close to major infrastructure. This project is known to host several significant zinc occurrences and it shares many similarities with the prolific Balmat-Edwards District, located only 60 kilometres to the south. The zinc mineralization occurs as either conformable to relict bedding within certain stratigraphic horizons, or within cross-cutting, ductile shear zones.

In the Gatineau area, there are more than 40 zinc, zinc-iron and iron showings and prospects that are mainly concentrated in the west part of the Grenville meta-sedimentary belt (Gatineau-Maniwaki area). The zinc and zinc-iron occurrences are hosted in dolomitic marbles and found occasionally in association with overlying iron formation, those being sulphide-rich, iron oxide-rich and/or carbonate-rich.

Semi-massive to massive sulphide mineralization has been noted on seven different locations within the optioned land package namely, the Bouchette-DesNègres, Leitch-Lafontaine-Parker and Lemieux-Route 107, Blue Sea, and Kilmar horizons. Typically the massive sulphides contain 25% sphalerite, 25% pyrrhotite, 15% pyrite and trace chalcopyrite in a matrix made mainly of diopside and variable amounts of calcite, phlogopite, tremolite, scapolite and rare quartz. The sulphides are homogeneous, granular and vary in size from medium to coarse (5 to 10 mm).

During 2007 and early 2008, Midland conducted a limited combined magnetic and electromagnetic helicopter survey (VTEM) over some of the known mineralized areas within the Gatineau project area. The combined EM and magnetometric survey proved to be very effective to map buried favourable geology unknown until now. Preliminary results indicate that the new survey has detected conductors on several lines with some of them having a good magnetic association.

The exploration program on the Gatineau project started in July 2010 with some ground geophysical surveys and additional geological mapping of priority AEM targets. Two trenches were recently completed to obtain further geological data in order to orient a future drilling campaign. Channel sampling, on both sites, revealed a zinc rich massive sulphide horizon. On one trench, a total of 35 samples were collected from six channels through the massive sulphide horizon, traceable over an 80 metre strike length. Best results returned 24.1% zinc over 3.0 metres, including 32.5% zinc over 2.0 metres. On the second trench, located to the southwest, a total of 14 samples were collected from three channels through the massive sulphide horizon. Best results returned 21.0% zinc over 2.0 metres. Overall, a total of 12 intervals, 0.5 metre long have returned assays over 30% zinc, including a value as high as 43.13% zinc. Drilling is expected to begin prior to year end.

## QUARTERLY FINANCIAL INFORMATION

The 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 unaudited interim consolidated financial statements for the three and nine month periods ended September 30, 2010 and 2009 and the audited consolidated financial statements for the years ended December 31, 2009 and 2008.

### Selected Quarterly Financial Data (unaudited)

FISCAL QUARTER ENDED	SEP 30 2010	JUN 30 2010	MAR 31 2010	DEC 31 2009	SEP 30 2009	JUN 30 2009	MAR 31 2009	DEC 31 2008
Interest and other income	\$ 7,999	\$ 4,328	\$ 4,743	\$ 4,041	\$ 330	\$ 2,802	\$ 2,480	\$ 8,192
Net loss	\$ (916,108)	\$ (984,803)	\$ (804,330)	\$ (762,017)	\$ (916,951)	\$ (407,210)	\$ (414,561)	\$ (1,359,005)
Net loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.02)
Total assets	\$ 23,759,675	\$ 22,015,515	\$ 21,275,152	\$ 21,088,056	\$ 21,541,181	\$ 16,711,613	\$ 16,765,269	\$ 17,217,550
Total liabilities	\$ 1,447,647	\$ 1,768,115	\$ 194,234	\$ 239,391	\$ 197,252	\$ 466,302	\$ 132,946	\$ 181,782

In general, overall spending levels have varied commensurate with the changes in the Company's exploration, development and corporate activities. The lower net loss in the first and second quarters of 2009 reflects the planned reduction in activities to preserve liquidity. The increase in net loss since then was a result of resuming activities following the Company's increased liquidity. As well in the fourth quarter of 2008, there were significant mineral property costs written off.

During the quarters ending December 31, 2008, March 31, 2009, and June 30, 2009, Zincore reduced expenditures due to market conditions restricting the financing of exploration and development projects. As a result of the Company's increased liquidity since the fourth quarter of 2009, the Company's overall corporate and exploration expenses have slowly begun to rise again reflecting the increased activity during the first three quarters of 2010. Quarterly variances in net loss have generally been impacted by four key factors: mineral property write-offs, stock-based compensation expense, foreign exchange gains or losses, and general exploration expense.

In the fourth quarter of 2008 the Company expensed mineral property costs of \$1,006,775 primarily relating to its Minasccasa property. During the first quarter of 2009 a loss of \$49,102 related to disposals of surplus field equipment and other office assets resulting from planned reductions in activities. During the third quarter of 2009 the Company expensed mineral property costs of \$194,852 relating to all of its mineral properties in Mexico and Chile. During the fourth quarter of 2009, and first three quarters

of 2010 the Company recorded \$280,956, \$135,582, \$158,156, and \$107,642 respectively, as stock-based compensation as a result of stock options granted.

Stock-based compensation expense is impacted by vesting schedules, forfeitures and the number of options granted by the Board of Directors. Foreign exchange losses vary based on the strengthening or weakening of the Canadian dollar relative to the U.S. dollar and Peruvian soles as well as U.S. dollar denominated cash balance. Interest income varies with changes in cash balances and interest rates.

General exploration expense varies depending on the focus of activities within the Company. During periods where the Company is evaluating new opportunities or establishing a presence in a new country, general exploration expense is generally higher than in other periods. In addition, principally during the fourth quarter of 2008, the Company recorded statutory severance costs relating to the reduction of its Peru based exploration employees.

Total assets in the third quarter of 2010 and 2009 increased primarily as a result of equity financings, and a large increase in liabilities in the second quarter of 2010 resulted primarily from firm one year commitments the Company agreed to pursuant to the Gatineau, Cariboo, and Sajapampa property agreements, as well as increased drilling activity on the Accha project.

## 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 or asset divestitures.

On March 31, 2010, the Company raised, by way of a non-brokered private placement, gross proceeds totalling \$600,001 by issuing 2,000,004 flow through common shares at \$0.30 per share. A cash commission totalling 6% of gross proceeds was paid to an agent. As well, in March 2010 the Company issued one million common shares to Pembroke pursuant to the Cariboo and Sajapampa property agreement. In July 2010 the Company closed a non-brokered private placement whereby it raised gross proceeds totalling \$2,908,000 by issuing 8,308,572 units at \$0.35 per unit. Each unit was comprised of one common share and one-half, non-transferable, common share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at \$0.45 per share for up to two years. The warrants were valued at \$506,902 by using the Black-Scholes option pricing model assuming no dividends are to be paid, volatility of 96%; risk free interest rate of 1.45%; and estimated life of 2 years. The value of the warrants was included in share issue costs.

On October 25, 2010, the Company announced a brokered private placement of common shares on a reasonable best efforts basis at a price of \$0.45 per common share with the minimum size of the offering being \$8 million, and the maximum size being \$12 million. On November 9, 2010, the Company announced that the financing had closed and that it had issued 26,700,000 common shares at a price of \$0.45 per share for gross proceeds of \$12,015,000. A cash commission of 6% of the total gross proceeds was paid and 1,602,000 agent warrants were issued. Each warrant entitles the holder to purchase one common share at \$0.48 per share for up to two years from the date of closing.

As at September 30, 2010, Zincore had working capital of \$1,494,915 compared to \$4,700,371 at December 31, 2009. Working capital consists of current assets less current liabilities. The working capital decrease was due to the exploration commitments relating to the Gatineau, Cariboo, and Sajapampa projects which have been accrued, drilling, optimization, and community relations work being done on the Accha Zinc Oxide District, and general corporate activities, partially offset by two equity financings completed in 2010. Expenditures on the Accha Zinc Oxide District during the first three quarters of 2010 totalled \$2,387,476 while expenditures on other properties totaled approximately \$2,036,144. The expenditures on these other projects related primarily to the firm commitment accruals discussed above, which as at September 30, 2010 totalled \$1,028,443, community relations work on the Minascasa project and preliminary geophysics and geological work on Dolores and Sajapampa.

During 2010 the Ministry of Energy and Mines in Peru approved the application by Exploraciones Collasuyo SAC ("Collasuyo"), Zincore's wholly indirectly owned subsidiary, for early recovery of the Impuesto General a Las Ventas ("IGV") or general sales tax on qualifying expenditures. The current rate of IGV is 19% on all goods and services purchased. Under this application Collasuyo can apply to the Peruvian tax authorities for monthly rebates of IGV paid on qualifying expenditures. Qualifying expenditures include all site exploration and drilling costs and certain site related engineering and development costs. Under the program, the Company can receive reimbursement of amounts paid or offset taxes payable to the Peruvian Government on the corresponding amount of IGV paid on qualifying goods and services purchased during the course of the exploration and development program. At the end of the third quarter of 2010, the Company had recorded a receivable of approximately \$224,000 related to this program.

In January 2010, the Company announced that it had entered into an option agreement with Pembroke to earn a 100% interest in Pembroke's Cariboo and Sajapampa zinc-lead properties located in Canada and Peru, respectively. Under the terms of the agreement, Zincore can earn a 100% interest in the properties by incurring exploration expenditures of \$875,815 (\$480,815 firm commitment for Cariboo; \$395,000 firm commitment for Sajapampa) within the first year and issuing five million Zincore shares to Pembroke over a three-year period. Pembroke will retain a 2% NSR on the properties (with the exception of that portion that is also subject to an underlying NSR with a third party) and Zincore will be entitled to buy back one of those two percentage points for \$1.5 million at any time, as well as have a pre-emptive right to purchase in the event Pembroke wishes to sell any portion of the royalty. A small portion of the Sajapampa property (800 of 6,000 hectares) is subject to an underlying agreement with a third party, pursuant to which an additional \$350,000 in payments must be made on or before April 2013, and a 2% NSR is payable. One percentage point of this NSR can be bought back for U.S. \$1.0 million. The underlying agreement is being assigned to the Company. In March 2010, the Company issued one million common shares valued at \$340,000 pursuant to this agreement. As at September 30, 2010, the Company had remaining firm commitments totalling \$233,632 on Sajapampa and \$459,611 on Cariboo.

In April 2010 the Company optioned a zinc land package in Québec from Midland. Zincore has the option to earn up to a 65% interest in the property by incurring exploration expenditures of \$3,500,000 (\$500,000 firm) and making cash payments of \$180,000 or issuing an equivalent value in common shares. In order to earn the full 65% interest, Zincore must complete a feasibility study no later than eight years after the effective date of the agreement. As at September 30, 2010, the Company has \$335,000 remaining on its firm commitment relating to this project.

In June 2010 the Company entered into an option agreement with a subsidiary of Hochschild to earn a 100% interest in the Gema Properties located near the Company's Accha Zinc Oxide District in southern Peru. The Company can acquire a 100% interest by preparing a scoping study within four years, a pre-feasibility study within six years, and a feasibility study within eight years. As well, the Company must make total investments of \$850,000 in the property within four years. Upon completing the earn-in, the Company will grant Hochschild a 1.5% NSR on the production of base metals. In the event that the Scoping Study determines that precious metals found on the property exceed 65% of the total value of the deposit, Hochschild will have the right to exercise a one-time option to "back in" to the project for a 60% interest (at which point Zincore would vest a 40% interest), by paying Zincore three times the costs of the expenditures incurred to produce the Scoping Study and assuming the obligations to produce a Pre-Feasibility and Feasibility study within the same periods that had applied to Zincore. Should Hochschild decide not to exercise this option, Zincore will vest a 60% interest following completion of the Scoping Study and continue to fulfill the criteria for the 100% interest.

Management estimates that Zincore's current cash resources provide sufficient funding to maintain its key properties and fund the Company's activities in the near term as further described in the Outlook section. As with most junior exploration companies, Zincore is dependent on additional equity or debt capital or proceeds from divestitures to finance its longer term activities.

Zincore does not hold any asset-backed commercial paper and current liabilities as at September 30, 2010 totaled \$1,447,647. Accounts payable and accrued liabilities relate principally to trade payables.

The Company's material contractual obligations are an office lease agreement for its corporate office in Vancouver, which expires on March 31, 2011. The agreement covers rent and operating expenses currently estimated at \$10,990 per month. In December 2008 Zincore signed a sublease agreement with a third party that fully funds its obligations regarding the corporate office lease until expiry of the lease agreement. The sublease agreement became effective January 15, 2009. The Company has also entered into a new office sub-lease commencing in September 2010 and expiring in September 2017. This office will be the new head office for the Company in Vancouver. The Company has entered into property option agreements for Cariboo, Sajapampa, Gema, and Gatineau. Details of these agreements are discussed in the "Project Review" and "Financial Condition, Liquidity and Capital Resources" sections above.

Contractual obligations	TOTAL	2010	2011	2012	2013	2014	2015-2017
Operating lease obligations	\$ 1,261,069	\$ 74,979	\$ 201,006	\$ 169,406	\$ 172,146	\$ 173,516	\$ 470,016
Property Options	\$ 5,378,243	\$ -	\$ 1,378,243	\$ 1,220,000	\$ 1,390,000	\$ 1,390,000	\$ -

## OFF-BALANCE SHEET TRANSACTIONS

The Company does not utilize off-balance sheet transactions.

## RELATED PARTY TRANSACTIONS

Zincore had a Services Agreement with Southwestern Resources Corp. ("Southwestern"), now a wholly owned subsidiary of Hochschild, up until July 31, 2009, whereby Southwestern agreed to provide the Company with accounting, corporate secretarial and other services in Canada. Collasuyo, Zincore's indirect wholly owned subsidiary, entered into an Outsourcing Operating Assistance Services Agreement with Southwestern's indirect wholly owned subsidiary Minera del Suroeste SAC ("MISOSA"), whereby MISOSA agreed to provide Collasuyo with office space, use of MISOSA's facilities and secretarial and accounting services in Peru. In August 2009 the agreement between Collasuyo and MISOSA was cancelled and the agreement in Canada was amended such that the Zincore staff would provide administrative services to Hochschild, who at that time was a 36.9% shareholder but is no longer, in return for Zincore using Southwestern's existing office space. In addition the Company paid amounts for management services to companies controlled by directors in common. In 2010 the Company entered into a contract with a subsidiary of its significant shareholder, Inversiones Pacasmayo, for use of its facility for metallurgical testing. Details of these related party transactions are as follows:

	THREE MONTHS ENDED SEPTEMBER 30, 2010	THREE MONTHS ENDED SEPTEMBER 30, 2009	NINE MONTHS ENDED SEPTEMBER 30, 2010	NINE MONTHS ENDED SEPTEMBER 30, 2009
Administrative services agreements	\$ -	\$ 7,000	\$ -	\$ 86,420
Amount paid to a company controlled by a director	\$ 89,580	\$ 107,072	\$ 231,709	\$ 120,922
Amount paid to significant shareholder for services	\$ 236,744	\$ -	\$ 333,346	\$ -

## PROPOSED TRANSACTIONS

As is typical of the mineral exploration and development industry, Zincore is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Zincore's financial instruments consist of cash and cash equivalents, prepaids, advances and other receivables, and accounts payable. The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Prepaids, advances and other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable are classified as other financial liabilities, which are measured at amortized cost.

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.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

These unaudited interim consolidated financial statements have been prepared on a going concern basis which assumes Zincore will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to continue to operate for the foreseeable future is conditional upon its ability to secure additional equity capital, divest assets or generate cash flow from operations in the future, none of which are assured. The Company has incurred operating losses since inception and has no source of operating cash flow. Due to market fluctuations and

the inherent risks in the exploration industry, there can be no assurance that management's future financing actions will be successful.

An 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. If the going concern assumption becomes inappropriate for these financial statements, then adjustments would be necessary in the carrying values of assets, liabilities, the reported income, and expenses and the balance sheet classifications used. Such adjustments could be material.

Based on the Company's considerable discretion to reduce or increase exploration plans, the Company has sufficient funds to continue operations through the next 12 months.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates where management's judgment is applied include asset valuations, income taxes, stock-based compensation and contingent liabilities. Actual results may differ from those estimates.

Mineral properties and related exploration and development costs are recorded at cost on a property-by-property basis. Costs incurred for general exploration that are not project specific or do not result in the acquisition of mineral properties and preliminary exploration to assess mineral properties are expensed as incurred. Management periodically reviews the underlying value of mineral properties. If impairment is determined to exist, the mineral property will be written down to its net realizable value. The recoverability of the amounts capitalized for mineral properties is dependent upon the delineation of economically recoverable mineral reserves and the Company's ability to obtain the necessary financing to complete development and realize profitable production or proceeds from the disposition thereof. It is reasonably possible that changes could occur that would adversely affect management's estimates and, therefore, result in future write-downs of capitalized mineral property amounts. The amounts shown for mineral properties represent costs incurred to date less write-downs, if any, and are not intended to reflect present or future values.

Compensation expense for stock options granted is determined based on the estimated fair value of the stock options at the time of grant, the cost of which is recognized over the vesting periods of the respective stock options. The fair value of all stock-based awards is estimated using the Black-Scholes model.

The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and the expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate. The Company relies on market and historical information as the basis for these assumptions.

The Company's functional currency is the Canadian dollar. The Company's foreign subsidiaries are considered to be integrated operations. Accordingly, the Company utilizes the temporal method to translate the financial statements of these subsidiaries into Canadian dollars. All foreign currencies are translated into Canadian dollars using weighted average rates for the period for items included in the consolidated statements of loss, comprehensive loss and deficit, the rate in effect at the balance sheet date for monetary assets and liabilities, and historical rates for other assets included in the consolidated balance sheets. Translation gains or losses are included in the determination of income.

## **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

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On January 1, 2010, the Company adopted CICA Handbook Sections 1582 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2010. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Adoption of these sections as of January 1, 2010, did not have a material impact on the Company's consolidated financial statements.

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

## SHARE CAPITAL INFORMATION

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As at the date of this MD&A, Zincore has an unlimited number of common shares authorized for issuance, with 141,385,075 common shares issued and outstanding.

As at the date of this MD&A, Zincore has 5,893,000 stock options outstanding with a weighted average exercise price of \$0.33 per option. Of this total, 5,322,995 stock options are exercisable with a weighted average exercise price of \$0.34. The Company also has 4,154,288 warrants outstanding with a price of \$0.45 expiring on July 5, 2012 and 1,602,000 warrants outstanding with a price of \$0.48 expiring on November 9, 2012.

The Company has two classes of preferred shares authorized with none issued.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

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The Company has assessed its capabilities to manage the transition of its financial reporting to IFRS. The Company believes the skills and resources exist within the Company's accounting team to manage the transition to IFRS with limited external assistance.

The Company has an IFRS changeover plan covering financial statement preparation, education, IT infrastructure and the internal control environment. Initial activities have commenced in each of these areas.

The Company has assessed the impacts of the adoption of IFRS on its financial statements. Based on this assessment, including the accounting policy choices available under IFRS and considering the current operations of Zincore, the conversion is expected to have limited impact on the substance of the financial statements. Certain presentation differences will be required. During 2009 and 2010, certain IFRS policies were selected as well as which elections are to be made under IFRS 1. The Canadian dollar will be the presentation currency.

A review of the key IT support systems indicates the current systems are IFRS compliant.

As a result of the limited impact on the substance of the financial statements, the conversion of IFRS is expected to have limited impact on the control environment of the Company.

The Company currently has no material commercial agreements that will be impacted by the conversion to IFRS.

Beginning on January 1, 2010, the Company has been running a parallel IFRS accounting system.

## DISCLOSURE CONTROLS AND PROCEDURES

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As required by National Instrument 52-109, management is responsible for the design, establishment and maintenance of disclosure controls and procedures over the public disclosure of financial and non-financial information regarding the Company, and internal control over financial reporting to provide reasonable assurance regarding the integrity of the Company's financial information and reliability of its financial reporting. Management maintains appropriate information systems, procedures and controls to ensure integrity of the financial statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. The Company has a Disclosure and Stock Trading Policy and a Disclosure Committee in place to mitigate risks associated with the disclosure of inaccurate or incomplete information.

The Company's management, with the participation and under the supervision of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), have designed the disclosure controls and procedures to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them on a timely basis; and designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting.

The Company has maintained accounting personnel in Peru, and contracts with third parties in Mexico. Although the Company's finance staff is small in number management believes appropriate segregation of duties within the finance department have been maintained. However where segregation of duty deficiencies exist, the Company relies on certain compensating and detection controls, including dual signatories on all cash disbursements, review and approvals of all bank reconciliations by persons other than the preparer, and quarterly and annual review of financial statements, and other information by the Audit Committee.

An evaluation of the effectiveness of the Company's disclosure controls and procedures was conducted as of December 31, 2009. Based upon the results of that evaluation, the Company's CEO and CFO have concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective in providing reasonable assurance that the material information relating to the Company was made known to them on a timely basis and was processed and disclosed within the appropriate reports and time periods.

The Company's management believes that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Due to the inherent limitations in all controls systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. Due to liquidity concerns the Company ceased to have its interim financial statements reviewed by its auditors in 2009, however, due to the Company's increased liquidity and level of overall activities, the quarterly financial statements are being reviewed in 2010.

There has been no change in the Company's internal control over financial reporting during the nine month period ended September 30, 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.