

ZINCORE METALS INC.



For the Three Months Ended March 31, 2011 and 2010

## **Condensed Consolidated Interim Financial Statements**



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## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2011	THREE MONTHS ENDED MARCH 31, 2010 (NOTE 13)
<b>Expenses</b>		
General exploration	\$ 768,514	\$ 163,342
Salaries and benefits	332,825	310,318
Consulting and management fees	186,324	128,670
Office expense	134,827	52,922
Travel	128,633	61,813
Shareholder information	91,444	49,046
Legal and accounting	43,053	29,899
Foreign exchange loss	20,100	7,623
Depreciation	1,943	1,327
Loss before undernoted item	(1,707,663)	(804,960)
Interest income	22,855	4,743
Loss before income taxes	(1,684,808)	(800,217)
Income tax expense (note 6)	131,000	-
Loss for the period	(1,815,808)	(800,217)
Other comprehensive loss:		
Foreign currency translation differences in foreign operations	(505,077)	(487,802)
Total comprehensive loss	\$ (2,320,885)	\$ (1,288,019)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.01)

See accompanying Notes to the Condensed Consolidated Interim Financial Statements



## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

As at	MARCH 31, 2011	DECEMBER 31, 2010 (NOTE 13)	JANUARY 1, 2010 (NOTE 13)
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 6,285,271	\$ 10,302,450	\$ 4,869,057
Prepays, advances and other receivables	208,722	176,547	50,019
	6,493,993	10,478,997	4,919,076
Non-current assets			
Other assets	–	–	20,997
Exploration advances and other receivables	382,921	378,446	16,919
Property, plant, and equipment (note 3)	162,770	144,941	80,954
Mineral properties (note 4)	22,215,462	19,880,582	16,050,110
Deferred income tax (note 6)	–	171,000	–
	22,761,153	20,574,969	16,168,980
<b>Total Assets</b>	<b>\$ 29,255,146</b>	<b>\$ 31,053,966</b>	<b>\$ 21,088,056</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 1,009,996	\$ 803,716	\$ 218,705
Non-current liabilities			
Long term obligation	–	–	20,686
	1,009,996	803,716	239,391
<b>Equity</b>			
Share capital (note 5)	43,894,375	43,886,388	29,993,077
Reserves	2,523,352	2,720,631	1,918,048
Deficit	(18,172,577)	(16,356,769)	(11,062,460)
	28,245,150	30,250,250	20,848,665
<b>Total Equity and Liabilities</b>	<b>\$ 29,255,146</b>	<b>\$ 31,053,966</b>	<b>\$ 21,088,056</b>

Nature and continuance of operations (note 1)

Commitments (note 10)

See accompanying Notes to the Condensed Consolidated Interim Financial Statements



## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2011	THREE MONTHS ENDED MARCH 31, 2010 (NOTE 13)
<b>Operating Activities</b>		
Loss before income taxes	\$ (1,684,808)	\$ (800,217)
Items not involving cash:		
Depreciation	1,943	1,327
Share-based compensation (note 5)	310,785	135,582
Interest income	(22,855)	(4,743)
	(1,394,935)	(668,051)
Change in non-cash operating working capital items:		
(Increase) decrease in prepaids, advances and other receivables	(32,175)	11,091
Increase (decrease) in accounts payable and accrued liabilities	62,411	(12,184)
Cash used in operating activities	(1,364,699)	(669,144)
<b>Investing Activities</b>		
Additions to property, plant and equipment	(25,485)	(577)
Mineral property expenditures	(2,642,368)	(310,149)
Cash used in investing activities	(2,667,853)	(310,726)
<b>Financing Activities</b>		
Shares issued	5,000	564,001
Interest received	22,855	4,743
Cash provided by financing activities	27,855	568,744
Effects of exchange rate change on cash and cash equivalents held in a foreign currency	(12,482)	(9,039)
Decrease in cash and cash equivalents during the period	(4,017,179)	(420,165)
Cash and cash equivalents at beginning of period	10,302,450	4,869,057
Cash and cash equivalents at end of period	\$ 6,285,271	\$ 4,448,892
Cash and cash equivalents consist of:		
Cash	6,227,771	4,425,892
Short-term investments	57,500	23,000
	\$ 6,285,271	\$ 4,448,892
Non-cash investing and financing item:		
Issued 1,000,000 common shares pursuant to mineral properties agreement	\$ —	\$ 340,000

See accompanying Notes to the Condensed Consolidated Interim Financial Statements



## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	SHARE CAPITAL		RESERVES			DEFICIT	TOTAL
	NUMBER OF SHARES	AMOUNT	SHARE-BASED PAYMENT RESERVE	WARRANTS	FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at January 1, 2010	103,334,833	\$ 29,993,077	\$ 1,918,048	\$ -	\$ -	\$ (11,062,460)	\$ 20,848,665
Private Placement (net of share issue costs totalling \$39,000)	2,000,004	521,001	-	-	-	-	521,001
Shares issued for cash on exercise of share options			-	-	-	-	-
Shares issued for mineral properties	1,000,000	340,000	-	-	-	-	340,000
Share-based compensation	-	-	135,582	-	-	-	135,582
Loss for the period	-	-	-	-	-	(800,217)	(800,217)
Other comprehensive loss	-	-	-	-	(487,802)	-	(487,802)
Balance at March 31, 2010	106,334,837	\$ 30,854,078	\$ 2,053,630	\$ -	\$ (487,802)	\$ (11,862,677)	\$ 20,557,229
Private Placement (net of share issue costs totalling \$1,919,356)	35,008,572	13,013,644	-	1,019,542	-	-	14,033,186
Shares issued for cash on exercise of share options	41,666	18,666	(6,600)	-	-	-	12,066
Share-based compensation	-	-	637,785	-	-	-	637,785
Loss for the period	-	-	-	-	-	(4,494,092)	(4,494,092)
Other comprehensive loss	-	-	-	-	(495,924)	-	(495,924)
Balance at December 31, 2010	141,385,075	\$ 43,886,388	\$ 2,684,815	\$ 1,019,542	\$ (983,726)	\$ (16,356,769)	\$ 30,250,250
Shares issued for cash on exercise of share options	20,000	7,987	(2,987)	-	-	-	5,000
Share-based compensation	-	-	310,785	-	-	-	310,785
Loss for the period	-	-	-	-	-	(1,815,808)	(1,815,808)
Other comprehensive loss	-	-	-	-	(505,077)	-	(505,077)
Balance at March 31, 2011	141,405,075	\$ 43,894,375	\$ 2,992,613	\$ 1,019,542	\$ (1,488,803)	\$ (18,172,577)	\$ 28,245,150

See accompanying Notes to the Condensed Consolidated Interim Financial Statements

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2011

## 1/ NATURE AND CONTINUANCE OF OPERATIONS

Zincore Metals Inc. (“Zincore” or the “Company”) is an exploration company focused on the identification, acquisition, exploration, evaluation and development of zinc and related base metals projects in the Americas. Its primary objective is to define economically feasible projects through focused exploration and to develop, joint venture, or sell properties of economic merit.

The Company was incorporated as Peru Zinc Corporation on September 21, 2005 in the Province of British Columbia. The Company subsequently changed its name to Southern Zinc Corporation on April 26, 2006 and to Zincore Metals Inc. on June 5, 2006. In November 2006 Zincore completed an initial public offering and commenced trading on the Toronto Stock Exchange (“TSX”). The address of the Company’s registered office is Suite 1450 - 1199 W. Hastings Street, Vancouver, BC, Canada V6E 3T5.

The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for mineral 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 secure additional equity capital, divest assets or generate cash flow from operations in the future, none of which are assured. These condensed 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 sufficient cash to continue operations in the future.

## 2/ CHANGES IN ACCOUNTING POLICIES

### A) CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board (“AcSB”) confirmed in February 2008 that International Financial Reporting Standards (“IFRS”) will replace Canadian generally accepted accounting principles (“GAAP”) for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These are the Company’s first IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS consolidated annual financial statements to be presented in accordance with IFRS for the year ending December 31, 2011. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with GAAP.

### B) BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with GAAP. The basis of preparation of these unaudited interim consolidated financial statements is different to that of the Company’s most recent annual consolidated financial statements due to the first-time adoption of IFRS. An explanation of how the transition to IFRS with a transition date of January 1, 2010 has affected the reported financial position and financial performance of the Company is provided in note 13. Note



13 includes reconciliations of the Company's condensed consolidated balance sheets and statements of loss and comprehensive loss and cash flows for comparative periods prepared in accordance with GAAP and as previously reported to those prepared and reported in these unaudited interim consolidated financial statements in accordance with IFRS.

The policies applied in these condensed consolidated interim financial statements are based on IFRSs issued and outstanding as at May 6, 2011, the date the Board of Directors approved these condensed consolidated interim financial statements for issue.

The standards that will be effective in the annual financial statements for the year ending December 31, 2011 are subject to change and may be affected by additional interpretation(s). Accordingly, the accounting policies for the annual period that are relevant to these condensed consolidated interim financial statements will be determined only when the first IFRS financial statements are prepared for the year ending December 31, 2011.

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from GAAP to IFRS is explained in Note 13.

#### C) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

	JURISDICTION	NATURE OF OPERATIONS
Zincore Metals Inc.	Canada	Holding company
Polymex Resources Ltd.	Canada	Holding company
Nazca Minerals Ltd.	Bermuda	Holding company
Wari Minerals Limited	Bermuda	Holding company
Exploraciones Collasuyo S.A.C	Peru	Exploration company
Exploraciones Y Metales del Centro SACV	Mexico	Exploration company
Paracas Minerals Inc.	Bermuda	Holding company
Antacollo S.A.C.	Peru	Exploration company

Inter-company balances and transactions, including unrealised income and expenses arising from intercompany transactions, are eliminated in preparing the condensed consolidated interim financial statements.

#### D) FOREIGN CURRENCIES

The presentation currency of the Company is the Canadian dollar. The functional currency of Zincore Metals Inc. and Polymex Resources Ltd. is the Canadian dollar. The functional currency of Nazca Minerals Inc., Wari Minerals Limited, Paracas Minerals Inc., Antacollo S.A.C., and Exploraciones Collasuyo S.A.C. is the United States dollar. The functional currency of Exploraciones Y Metales del Centro SACV is the Mexican Peso. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

These condensed consolidated interim financial statements have been translated to the Canadian dollar in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates. This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period).

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.



## E) FINANCIAL INSTRUMENTS

Zincore's financial instruments consist of cash and cash equivalents, advances and other receivables, and accounts payable. The Company has designated its cash and cash equivalents as financial assets at fair value through profit or loss, which are measured at fair value. Prepaids, advances and other receivables and other assets 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.

### Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

**Fair value through profit or loss** - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of comprehensive loss.

**Loans and receivables** - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

**Held-to-maturity investments** - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the income statement.

**Available-for-sale** - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the income statement.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

### Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

**Fair value through profit or loss** - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement.

**Other financial liabilities:** This category includes accounts payables and accrued liabilities which are recognized at amortized cost.

## F) CASH AND CASH EQUIVALENTS

Cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of less than ninety days.

## G) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost and are depreciated annually on a declining-balance basis at the following rates:

Office and other equipment	20%
Computer equipment	30%
Leasehold improvements	Straight-line over 4 years

If impairment indicators are present, the Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows to determine whether there is any impairment. The depreciation method, useful life and residual values are assessed annually.



#### H) IMPAIRMENT OF NON-FINANCIAL ASSETS UNDER IAS 36

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation charge for the period.

#### I) EXPLORATION AND EVALUATION

The Company is in the exploration stage with respect to its investment in mineral properties and follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not limited to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

Exploration and evaluation ("E&E") assets are assessed for impairment only when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount and when the Group has sufficient information to reach a conclusion about technical feasibility and commercial viability.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure on further exploration and evaluation activities is neither budgeted nor planned;
- title to the asset is compromised;
- adverse changes in the taxation and regulatory environment;
- adverse changes in variations in commodity prices and markets; and
- variations in the exchange rate for the currency of operation.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

#### J) INCOME TAXES

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates r substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under GAAP however there is no equivalent IFRS guidance. Therefore, the Company intends to adopt a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is credited to other liabilities and included in income at the time the qualifying expenditures are made. The recognition of the future income tax liability upon renunciation of the flow-through expenditures is recorded as income tax expense in the period of renunciation.

#### **K) SHARE-BASED PAYMENT TRANSACTIONS**

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

#### **L) RESTORATION, REHABILITATION, AND ENVIRONMENTAL OBLIGATIONS**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

#### **M) LOSS PER SHARE**

The Company presents the basic loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

#### **N) SIGNIFICANT ACCOUNTING JUDGMENTS**

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (note 2(O)), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are related to the economic recoverability of the mineral properties, functional currency determination for the Company and its subsidiaries, and assumption of going concern.

#### **O) SIGNIFICANT ACCOUNTING ESTIMATES**

The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.



Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of amounts receivable and prepayments which are included in the condensed consolidated interim statement of financial position;
- the carrying value of the short – term investments and the recoverability of the carrying value which are included in the condensed consolidated interim statement of financial position;
- impairment of non-financial assets;
- the estimated useful lives of property, plant and equipment which are included in the condensed consolidated interim statement of financial position and the related depreciation included in the consolidated statement of comprehensive loss;
- the inputs used in accounting for share-based compensation expense in the condensed consolidated interim statement of comprehensive loss;
- the provision for income taxes which is included in the condensed consolidation interim statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the condensed consolidated interim statement of financial position at March 31, 2011; and
- The inputs used in determining the various commitments and contingencies accrued in the condensed consolidated interim statement of financial position.

#### P) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2011 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

IFRS 9, Financial Instruments: effective for accounting periods commencing on or after January 1, 2013; and

IFRS 7, Financial Instruments: Disclosures: effective for accounting periods commencing on or after July 1, 2011.

### 3/ PROPERTY, PLANT AND EQUIPMENT

<b>Cost</b>	<b>OFFICE AND OTHER EQUIPMENT</b>	<b>COMPUTER</b>	<b>VEHICLES</b>	<b>LEASEHOLD</b>	<b>TOTAL</b>
Balance as at January 1, 2010	\$86,364	\$42,923	\$31,891	\$6,177	\$167,355
Additions	69,882	32,650	–	–	102,532
Disposals	–	–	(31,383)	–	(31,383)
Foreign exchange movement	(6,403)	(1,656)	(508)	–	(8,567)
Balance at December 31, 2010	\$149,843	\$73,917	\$–	\$6,177	\$229,937
Additions	6,280	24,353	–	–	30,633
Foreign exchange movement	(3,336)	(1,151)	–	–	(4,487)
Balance at March 31, 2011	\$152,787	\$97,119	\$–	\$6,177	\$256,083

  

<b>Accumulated Depreciation</b>	<b>OFFICE AND OTHER EQUIPMENT</b>	<b>COMPUTER</b>	<b>VEHICLES</b>	<b>LEASEHOLD</b>	<b>TOTAL</b>
Balance as at January 1, 2010	\$37,863	\$23,115	\$20,981	\$4,442	\$86,401
Depreciation	12,214	8,996	2,610	1,545	25,365
Disposals	–	–	(23,256)	–	(23,256)
Foreign exchange movement	(2,528)	(651)	(335)	–	(3,514)
Balance at December 31, 2010	\$47,549	\$31,460	\$–	\$5,987	\$84,996
Depreciation	5,238	4,347	–	190	9,775
Foreign exchange movement	(1,147)	(311)	–	–	(1,458)
Balance at March 31, 2011	\$51,640	\$35,496	\$–	\$6,177	\$93,313

<b>Carrying amounts</b>	<b>OFFICE AND OTHER EQUIPMENT</b>	<b>COMPUTER</b>	<b>VEHICLES</b>	<b>LEASEHOLD</b>	<b>TOTAL</b>
At January 1, 2010	\$48,501	\$19,808	\$10,910	\$1,735	\$80,954
At December 31, 2010	\$102,294	\$42,457	\$–	\$190	\$144,941
At March 31, 2011	\$101,147	\$61,623	\$–	\$–	\$162,770

Depreciation relating to exploration related assets in the amount of \$7,720 (March 31, 2010 - \$3,606) has been allocated to mineral properties during the period.

#### 4/ MINERAL PROPERTIES

##### A) FOR THE THREE MONTHS ENDED MARCH 31, 2011:

	<b>ACCHA ZINC OXIDE DISTRICT</b>	<b>MINASCCASA</b>	<b>GATINEAU</b>	<b>DOLORES</b>	<b>TOTAL</b>
Balance, January 1, 2011	\$ 18,418,412	\$ 234,451	\$543,149	\$684,570	\$ 19,880,582
Property, acquisition and maintenance	–	–	4,189	–	4,189
Geophysics	64,637	–	28,750	32,404	125,791
Geology	490,882	–	–	10,950	501,832
Drilling	612,418	–	–	992,225	1,604,643
Pre Feasibility	366,858	–	–	–	366,858
Research	6,392	–	–	31,252	37,644
Project administration	113,096	24,217	14,502	18,895	170,710
Foreign exchange movement	(445,813)	(5,723)	–	(25,251)	(476,787)
Balance, March 31, 2011	\$ 19,626,882	\$ 252,945	\$ 590,590	\$ 1,745,045	\$ 22,215,462

##### B) FOR THE YEAR ENDED DECEMBER 31, 2010:

	<b>ACCHA ZINC OXIDE DISTRICT</b>	<b>MINASCCASA</b>	<b>SAJAPAMPA</b>	<b>CARIBOO</b>	<b>GATINEAU</b>	<b>DOLORES</b>	<b>TOTAL</b>
Balance, January 1, 2010	\$ 15,926,445	\$ 89,581	\$ –	\$ –	\$ –	\$ 34,084	\$ 16,050,110
Property, acquisition and maintenance	145,313	33,419	183,109	170,000	31,415	7,724	570,980
Geophysics	93,589	153	51,152	–	33,185	178,321	356,400
Geology	1,496,863	15,277	221,717	19,882	227,486	376,908	2,358,133
Drilling	1,017,090	–	136,257	–	235,936	39,859	1,429,142
Research	216,370	–	–	–	–	–	216,370
Project administration	430,353	104,585	109,420	1,322	15,127	72,514	733,321
Property costs written off	–	–	(706,636)	(191,204)	–	–	(897,840)
Foreign exchange movement	(907,611)	(8,564)	4,981	–	–	(24,840)	(936,034)
Balance, December 31, 2010	\$ 18,418,412	\$ 234,451	\$ –	\$ –	\$ 543,149	\$ 684,570	\$ 19,880,582

The Company holds a 100% interest in the Accha Zinc Oxide District, Dolores, Minasccasa and Other properties.

In January 2010 the Company announced that it had entered into an option agreement with Pembroke Mining Corp. (“Pembroke”), a company related to Zincore by way of directors in common, 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 could 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. In March 2010 the Company issued one million common shares valued at \$340,000 to Pembroke pursuant to the Cariboo and Sajapampa property agreement. As a result of access and permitting issues, the Company wrote off net expenditures totalling \$191,204 relating to the Cariboo property and the remaining firm commitment totalling \$459,611 has been cancelled. The Company completed obligations pertaining to the Sajapampa project, but after careful review of the results decided to drop the option.



In April 2010 the Company optioned a zinc land package in Quebec from Midland Exploration Inc. (the "Gatineau Property"). 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 commitment) 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 December 31, 2010 the firm commitment had been met.

## 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. To date no preferred shares have been issued.

### B) CHANGES IN ISSUED SHARE CAPITAL AND RESERVES WERE AS FOLLOWS:

On October 25, 2010, the Company announced a brokered private placement of common shares on a best commercial 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 approximately \$12 million. On November 9, 2010, the Company announced that the financing had closed and that the Company 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. These warrants were valued at \$512,640 by using a Black-Scholes option pricing model assuming no dividends are to be paid, volatility of 100%; interest free interest rate of 1.43%; and estimated life of 2 years.

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 value of the warrants of \$506,902 was determined using a 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.

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. Using the Look-Back Rule, in January 2011 the Company renounced to investors total proceeds from the issuance of flow-through shares in 2010, and has until December 2011 to spend the entire \$600,001. As at March 31, 2011, the Company had spent \$536,745 of the proceeds and plans to spend the remaining balance in 2011.

### C) SHARE PURCHASE OPTION COMPENSATION PLAN

The Company has a share purchase option plan providing for the issuance of options that shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company as at the date of grant of the options. The Company may grant options to directors, officers, employees, consultants and other personnel of the Company or any of its subsidiaries. The exercise price of each option is the volume weighted average trading price for the last five trading days prior to the date of grant of options. The option vesting periods are established by the Board of Directors or Exchange policies if applicable. Options may not be granted for a term exceeding ten years and all options granted to date have been for a term of five years.

At March 31, 2011 there were 7,987,000 share options outstanding, of which 6,132,325 were exercisable.

	AT MARCH 31, 2011		AT DECEMBER 31, 2010	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of period	7,347,000	\$ 0.38	4,888,000	\$ 0.34
Granted	660,000	\$ 0.60	2,577,000	\$ 0.46
Exercised	(20,000)	\$ 0.25	(41,666)	\$ 0.29
Forfeited	—	\$ —	(76,334)	\$ 0.36
Outstanding at end of period	7,987,000	\$ 0.40	7,347,000	\$ 0.38
Exercisable at end of period	6,132,325	\$ 0.36	5,798,995	\$ 0.36

EXERCISE PRICE RANGE	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED- AVERAGE REMAINING YEARS	NUMBER OF OPTIONS EXERCISABLE
\$0.13-\$0.19	150,000	\$0.13	2.4	150,000
\$0.20-\$0.39	4,510,000	\$0.27	3.6	4,073,328
\$0.40-\$0.59	2,372,000	\$0.55	3.4	1,260,666
\$0.60-\$0.78	955,000	\$0.67	2.9	648,331
	7,987,000	\$0.40	3.4	6,132,325

As a result of share options vesting and the amortization of previous grants, during the three months ended March 31, 2011 the Company recognized \$310,785 (March 31, 2010 – \$135,582) as share-based compensation expense and recorded this amount in share based payment reserve. These amounts were recorded as follows:

	THREE MONTHS ENDED MARCH 31, 2011	THREE MONTHS ENDED MARCH 31, 2010
Consulting and management fees	\$ 70,295	\$ 18,902
General exploration	154,672	14,003
Salaries and benefits	85,818	102,677
Total	\$ 310,785	\$ 135,582

The value of the share options granted during the three months ended March 31, 2011 and 2010 was determined using the Black-Scholes option pricing model. During the first quarter of 2011, the weighted average grant-date fair value of \$0.39 (March 31, 2010 - \$0.15) for each option granted was estimated using the following weighted average assumptions: no dividends are to be paid; volatility of 95% (March 31, 2010 - 168%); risk free interest rate of 2.3% (March 31, 2010 - 2.5%); and expected life of 3.5 years (March 31, 2010 – 3.5 years). Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the share purchase options.

#### D) WARRANTS

As at March 31, 2011, the Company had 4,154,286 warrants outstanding with an exercise price of \$0.45 expiring on July 5, 2012, and 1,602,000 warrants outstanding with an exercise price of \$0.48 expiring on November 8, 2012.

## 6/ DEFERRED TAXES

Tax deductions related to funds raised in 2010 from an issue of flow through shares were renounced in 2011 and resulted in a deferred tax expense of \$131,000 being recorded.

## 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:

	AT MARCH 31, 2011	AT DECEMBER 31, 2010	AT JANUARY 1, 2010
Peru	\$ 22,142,041	\$ 19,839,142	\$ 16,133,388
Canada	619,112	735,827	35,592
Total	\$ 22,761,153	\$ 20,574,969	\$ 16,168,980

## 8/ RELATED PARTY TRANSACTIONS

A) The Company paid remuneration for management services to a company, controlled by a director in common. Details of these related party transactions are as follows:

	THREE MONTHS ENDED MARCH 31, 2011	THREE MONTHS ENDED MARCH 31, 2010
Remuneration paid to a company controlled by a director for contracting services	\$ 86,028	\$ 62,647



These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related party.

#### B) Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the three month period ending March 31, 2011 were as follows:

	THREE MONTHS ENDED MARCH 31, 2011	THREE MONTHS ENDED MARCH 31, 2010
Salaries and directors' fees <sup>1</sup>	\$ 327,604	\$ 272,926
Share-based payments <sup>2</sup>	149,615	108,275
Total	\$ 477,219	\$ 381,201

<sup>1</sup> Salaries and directors' fees include consulting and management fees disclosed in note 8(a).

<sup>2</sup> Share-based payments are the fair value of options that have been granted to directors and key management personnel.

## 9/ LOSS PER SHARE

### *Basic and diluted loss per share*

The calculation of basic and diluted loss per share for the three months ended March 31, 2011 was based on the loss attributable to common shareholders of \$1,815,808 (March 31, 2010 - \$800,217) and a weighted average number of common shares outstanding of 141,404,186 (March 31, 2010 - 103,512,611).

Diluted loss per share did not include the effect of 7,987,000 share options as they are anti-dilutive.

## 10/ COMMITMENTS

The Company's material contractual obligations are for an office sub-lease entered into in September 2010 and expiring in September 2017.

	TOTAL	2011	2012	2013	2014	2015-2017
Operating lease obligations	\$ 1,111,111	\$ 126,027	\$ 169,406	\$ 172,146	\$ 173,516	\$ 470,016

## 11/ MANAGEMENT OF CAPITAL RISK

The capital structure of the Company consists of equity attributable to common shareholders, comprising issued capital, reserves 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.



## 12/ 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 and price risk (including currency and interest rate 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 assets at fair value through profit or loss are equivalent to their carrying values due to their short term nature.

### 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, and Mexico. All accounts are held at commercial banks with credit ratings of A or higher.

### 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 has considerable discretion to reduce or increase exploration plans or budgets depending on current or projected liquidity. When appropriate, the Company will seek joint venture partners in order to fund or share in the funding of its exploration properties to minimize shareholder risk.

As discussed in note 5, in 2010 the Company raised gross proceeds of approximately \$15.5 million by completing three private placements of common shares, one of which was for flow-through common shares. Total budgeted cash expenditures for the remaining nine months of 2011 on corporate costs, exploration and technical work is approximately \$12.0 million. As at March 31, 2011, cash resources totalled \$6,285,271.

The Company is currently evaluating alternatives to raise additional capital to increase liquidity but there is no certainty that additional capital will be raised.

### 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.

A 10% weakening in the Canadian dollar relative to the U.S. dollar would increase the net loss by approximately \$46,000 during the remaining nine months of 2011 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 \$850,000 during the remaining nine months of 2011 with the opposite effect of a 10% strengthening. A 10% weakening in the Canadian dollar relative to the Peruvian soles has an immaterial effect on the Company's net earnings or deferred mineral property expenditures.

### 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 one percent decrease in short term rates would decrease interest income and increase net loss of the Company by approximately \$62,000 during remaining nine months of 2011.



### 13/ TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on December 31, 2011, the Company's first annual reporting date.

The standards that will be effective in the annual financial statements for the year ending December 31, 2011 are subject to change and may be affected by additional interpretation(s). Accordingly, the accounting policies for the annual period that are relevant to these condensed consolidated interim financial statements will be determined only when the first IFRS financial statements are prepared for the year ending December 31, 2011.

As stated in Note 2, these are the Company's first condensed consolidated interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS.

In preparing the opening IFRS statement of financial position, comparative information for the three months ended March 31, 2010 and the financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP.

An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. In preparing these financial statements, the Company has elected to apply the following transitional arrangements:

#### A) BUSINESS COMBINATIONS

IFRS1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company takes advantage of this election and applies IFRS 3 to business combinations that occurred on or after January 1, 2010. There is no adjustment required to the January 1, 2010's statement of financial position on the transition date.

#### B) IAS 27 – CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

#### C) PROPERTY, PLANT AND EQUIPMENT

IAS 16 Property, plant and equipment allows for property, plant and equipment to continue to be carried at cost less depreciation, which is the same as under GAAP.

#### D) CUMULATIVE TRANSLATION DIFFERENCES

The functional currency of Zincore Metals Inc. and Polymex Resources Ltd. is the Canadian dollar. The functional currency of Nazca Minerals Inc., Wari Minerals Limited, and Exploraciones Collasuyo S.A.C. is the United States dollar. The functional currency of Exploraciones Y Metales del Centro SACV is the Mexican Peso. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

These condensed consolidated interim financial statements have been translated to the Canadian dollar in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates. This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). On translation of a foreign operation in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, certain exchange differences are recognized as a separate component of equity. IAS 21 also requires an entity to disclose the net exchange differences classified as a separate component of equity as well as a reconciliation of the opening and closing balances. Under this election in IFRS1, the Company has elected not to calculate this translation difference retrospectively and thereby set the corresponding translation differences at the date of transition to zero.

#### E) RECLASSIFICATION WITHIN EQUITY SECTION

For comparatives, as at March 31, 2010, \$2,053,630 "contributed surplus" account was reclassified into "Share based payment reserve" as certain terminologies are different under IFRS.

#### F) FLOW-THROUGH SHARES

Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under GAAP however there is no equivalent IFRS guidance. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is credited to other liabilities and included in income at the time the qualifying expenditures are made. As a result the Company reversed the premium of \$40,000 from share capital and credited accounts payable and other liabilities. The recognition of the deferred income tax liability upon renunciation of the flow-through expenditures is recorded as income tax expense in the period of renunciation.



## RECONCILIATION OF STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

	GAAP THREE MONTHS ENDED MARCH 31, 2010	EFFECT OF TRANSITION TO IFRS	IFRS THREE MONTHS ENDED MARCH 31, 2010	GAAP YEAR ENDED DECEMBER 31, 2010	EFFECT OF TRANSITION TO IFRS	IFRS YEAR ENDED DECEMBER 31, 2010
<b>Expenses</b>						
Salaries and benefits	\$ 310,318	\$ –	\$ 310,318	\$ 1,660,826	\$ –	\$ 1,660,826
General exploration	163,494	D (152)	163,342	1,257,133	D (10,493)	1,246,640
Consulting and management fees	128,115	D 555	128,670	710,292	D (586)	709,706
Travel	61,203	D 610	61,813	252,045	D 2,828	254,873
Office expense	52,952	D (30)	52,922	289,030	D (65)	288,965
Shareholder information	48,988	D 58	49,046	236,667	D (101)	236,566
Mineral property costs written off	–	–	–	889,613	D 8,227	897,840
Legal and accounting	30,456	D (557)	29,899	153,232	D (2,966)	150,266
Foreign exchange loss	12,220	D (4,597)	7,623	98,576	D (55,087)	43,489
Loss on sale of property, plant and equipment	–	–	–	8,258	D (132)	8,126
Depreciation	1,327	–	1,327	6,039	–	6,039
Loss before undernoted item	(809,073)	4,113	(804,960)	(5,561,711)	58,375	(5,503,336)
Interest income	4,743	–	4,743	38,028	–	38,028
Loss before income taxes	(804,330)	4,113	(800,217)	(5,523,683)	58,375	(5,465,308)
Deferred income tax	–	–	–	171,000	–	171,000
Loss for period	(804,330)	4,113	(800,217)	(5,352,683)	58,375	(5,294,308)
Other comprehensive loss:						
Foreign currency translation differences in foreign operations	–	(487,802)	(487,802)	–	(983,726)	(983,726)
Total comprehensive loss	\$ (804,330)	\$ (483,689)	\$ (1,288,019)	\$ (5,352,683)	\$ (925,351)	\$ (6,278,034)



## RECONCILIATION OF STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

	GAAP JAN 1, 2010	EFFECT OF TRANSITION TO IFRS	IFRS JAN 1, 2010	GAAP MAR 31, 2010	EFFECT OF TRANSITION TO IFRS	IFRS MAR 31, 2010	GAAP DEC 31, 2010	EFFECT OF TRANSITION TO IFRS	IFRS DEC 31, 2010
<b>Current assets</b>									
Cash and cash equivalents	\$ 4,869,057	\$ -	\$ 4,869,057	\$ 4,448,908	D\$ (16)	\$ 4,448,892	\$ 10,302,647	D\$ (197)	\$ 10,302,450
Prepays, advances and other receivables	50,019	-	50,019	38,930	D (2)	38,928	176,546	D 1	176,547
	4,919,076	-	4,919,076	4,487,838	(18)	4,487,820	10,479,193	(196)	10,478,997
<b>Non-current assets</b>									
Other assets	20,997	-	20,997	20,997	-	20,997	-	-	-
Exploration advances and other receivables	16,919	-	16,919	10,068	-	10,068	378,474	D (28)	378,446
Property, plant, and equipment	80,954	-	80,954	76,511	D (1,878)	74,633	149,288	D (4,347)	144,941
Mineral properties	16,050,110	-	16,050,110	16,679,738	D (482,552)	16,197,186	20,805,851	D (925,269)	19,880,582
Deferred income tax	-	-	-	-	-	-	171,000	-	171,000
	16,168,980	-	16,168,980	16,787,314	(484,430)	16,302,884	21,504,613	(929,644)	20,574,969
<b>Total Assets</b>	<b>\$ 21,088,056</b>	<b>\$ -</b>	<b>\$ 21,088,056</b>	<b>\$ 21,275,152</b>	<b>\$ (484,448)</b>	<b>\$ 20,790,704</b>	<b>\$ 31,983,806</b>	<b>\$ (929,840)</b>	<b>\$ 31,053,966</b>
<b>Liabilities</b>									
<b>Current liabilities</b>									
Accounts payable and accrued liabilities	\$ 218,705	\$ -	\$ 218,705	\$ 173,548	D,F\$ 39,241	\$ 212,789	\$ 768,204	D,F\$ 35,512	\$ 803,716
	218,705	-	218,705	173,548	39,241	212,789	768,204	35,512	803,716
<b>Non-current liabilities</b>									
Long term obligation	20,686	-	20,686	20,686	-	20,686	-	-	-
	20,686	-	20,686	20,686	-	20,686	-	-	-
<b>Total Liabilities</b>	<b>239,391</b>	<b>-</b>	<b>239,391</b>	<b>194,234</b>	<b>39,241</b>	<b>233,475</b>	<b>768,204</b>	<b>35,512</b>	<b>803,716</b>
<b>Equity</b>									
Share capital	29,993,077	-	29,993,077	30,894,078	F (40,000)	30,854,078	43,926,388	F (40,000)	43,886,388
Share based payment reserve	1,918,048	-	1,918,048	2,053,630	-	2,053,630	3,704,357	-	3,704,357
Foreign currency translation reserve	-	-	-	-	D (487,802)	(487,802)	-	D (983,726)	(983,726)
Deficit	(11,062,460)	-	(11,062,460)	(11,866,790)	D,F 4,113	(11,862,677)	(16,415,143)	D,F 58,374	(16,356,769)
	20,848,665	-	20,848,665	21,080,918	(523,689)	20,557,229	31,215,602	(965,352)	30,250,250
<b>Total Equity and Liabilities</b>	<b>\$ 21,088,056</b>	<b>\$ -</b>	<b>\$ 21,088,056</b>	<b>\$ 21,275,152</b>	<b>\$ (484,448)</b>	<b>\$ 20,790,704</b>	<b>\$ 31,983,806</b>	<b>\$ (929,840)</b>	<b>\$ 31,053,966</b>



## RECONCILIATION OF STATEMENTS OF CASH FLOWS (UNAUDITED)

	GAAP THREE MONTHS ENDED MARCH 31, 2010	EFFECT OF TRANSITION TO IFRS	IFRS THREE MONTHS ENDED MARCH 31, 2010	GAAP YEAR ENDED DECEMBER 31, 2010	EFFECT OF TRANSITION TO IFRS	IFRS YEAR ENDED DECEMBER 31, 2010
Operating Activities						
Loss before income taxes	\$ (804,330)	\$ 4,113	\$ (800,217)	\$ (5,523,683)	\$ 58,375	\$ (5,465,308)
Items not involving cash:						
Depreciation	1,327	–	1,327	6,039	–	6,039
Share-based compensation	135,582	–	135,582	773,367	–	773,367
Loss on sale of property, plant and equipment	–	–	–	8,258	D (132)	8,126
Mineral property costs written off	–	–	–	889,613	D 8,227	897,840
	(667,421)	4,113	(663,308)	(3,846,406)	66,470	(3,779,936)
Change in non-cash operating working capital items:						
Decrease (increase) in prepaids, advances and other receivables	11,089	D 2	11,091	(105,530)	–	(105,530)
(Decrease) increase in accounts payable and accrued liabilities	(12,187)	D 3	(12,184)	45,010	–	45,010
Cash used in operating activities	(668,519)	4,118	(664,401)	(3,906,926)	66,470	(3,840,456)
Investing Activities						
Additions to property, plant and equipment	(602)	D 25	(577)	(102,151)	D 693	(101,458)
Mineral property expenditures	(305,990)	D (4,159)	(310,149)	(5,146,086)	D (67,364)	(5,213,450)
Cash used in investing activities	(306,592)	(4,134)	(310,726)	(5,248,237)	(66,671)	(5,314,908)
Financing Activity						
Shares issued	564,001	–	564,001	14,606,253	–	14,606,253
Cash provided by financing activity	564,001	–	564,001	14,606,253	–	14,606,253
Effects of exchange rate change on cash and cash equivalents held in a foreign currency	(9,039)	–	(9,039)	(17,500)	–	(17,500)
(Decrease) increase in cash and cash equivalents during the period	(420,149)	(16)	(420,165)	5,433,590	(201)	5,433,393
Cash and cash equivalents at beginning of period	4,869,057	–	4,869,057	4,869,057	–	4,869,057
Cash and cash equivalents at end of period	\$ 4,448,908	\$ (16)	\$ 4,448,892	\$ 10,302,647	\$ (201)	\$ 10,302,450
Issued 1,000,000 common shares pursuant to mineral properties agreement	\$ 340,000	\$ –	\$ 340,000	\$ 340,000	\$ –	\$ 340,000
Other assets reclassified to short-term	\$ –	\$ –	\$ –	\$ 20,997	\$ –	\$ 20,997
Obligation reclassified to short-term	\$ –	\$ –	\$ –	\$ (20,686)	\$ –	\$ (20,686)
Interest received	\$ 4,743	\$ –	\$ 4,743	\$ 38,028	\$ –	\$ 38,028
Warrants issued	\$ –	\$ –	\$ –	\$ 1,019,542	\$ –	\$ 1,019,542