

*Annual Information Form*

## **Zincore Metals Inc.**

For the year ended December 31, 2013

Dated as of March 18, 2014



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## **PRELIMINARY NOTES**

This Annual Information Form (this "AIF") is prepared by Zincore Metals Inc. ("Zincore" or the "Company") in the form prescribed by National Instrument 51-102F2 of the Canadian Securities Administrators (the "CSA") and is hereby filed with the British Columbia, Alberta, Manitoba and Ontario Securities Commissions and The Toronto Stock Exchange (the "TSX").

### **Date and Currency**

Unless otherwise indicated, all information provided in this AIF is current as of March 18, 2014 and all dollar amounts presented in this AIF are expressed in Canadian dollars.

### **Forward-Looking Statements**

This AIF and the documents incorporated by reference herein contain "forward-looking statements" within the meaning of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements are made as of the date of this AIF or, in the case of documents incorporated by reference herein, as of the date of such documents and the Company does not intend, and does not assume any obligation, to update these forward-looking statements to reflect the occurrence of unanticipated events after the date hereof, except as may be required by applicable securities laws.

Forward-looking statements include, but are not limited to: statements with respect to the future price of zinc and other metals; future projections of supply and demand of zinc and other metals; the estimation of mineral resources; the timing and amount of estimated future exploration and development, including pre-feasibility studies; costs and timing of the exploration and development of new deposits; success of exploration activities; permitting time lines; currency fluctuations; requirements for additional capital; government regulation of mineral exploration and development; environmental risks; unanticipated reclamation expenses; title disputes or claims; and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others: global economic conditions; risks related to operations; actual results of current exploration activities; conclusions of future economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; possible variations in ore resources; the potential for future resources or reserves; grade or recovery rates; failure of equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals including permitting, delay or inability to obtain access agreements from local communities, financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" in this AIF. Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

### **Cautionary Notes to U.S. Investors Concerning Reserve and Resource Estimates**

The terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by National Instrument 43-101- Standards

of Disclosure for Mineral Projects ("NI 43-101"); however, these terms are not defined terms under SEC Industry Guide 7 and normally are not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities laws, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in certain specific cases. Additionally, disclosure of "contained ounces" in a resource is permitted disclosure under Canadian securities laws, however the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measurements.

In addition, the definitions of "proven" and "probable" reserves used in NI 43-101 differ from the definitions in the Industry Guide 7. Under SEC Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three year history average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

Accordingly, information contained in this AIF containing descriptions of our mineral deposits may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of United States federal securities laws and the rules and regulations thereunder.

## **CORPORATE STRUCTURE**

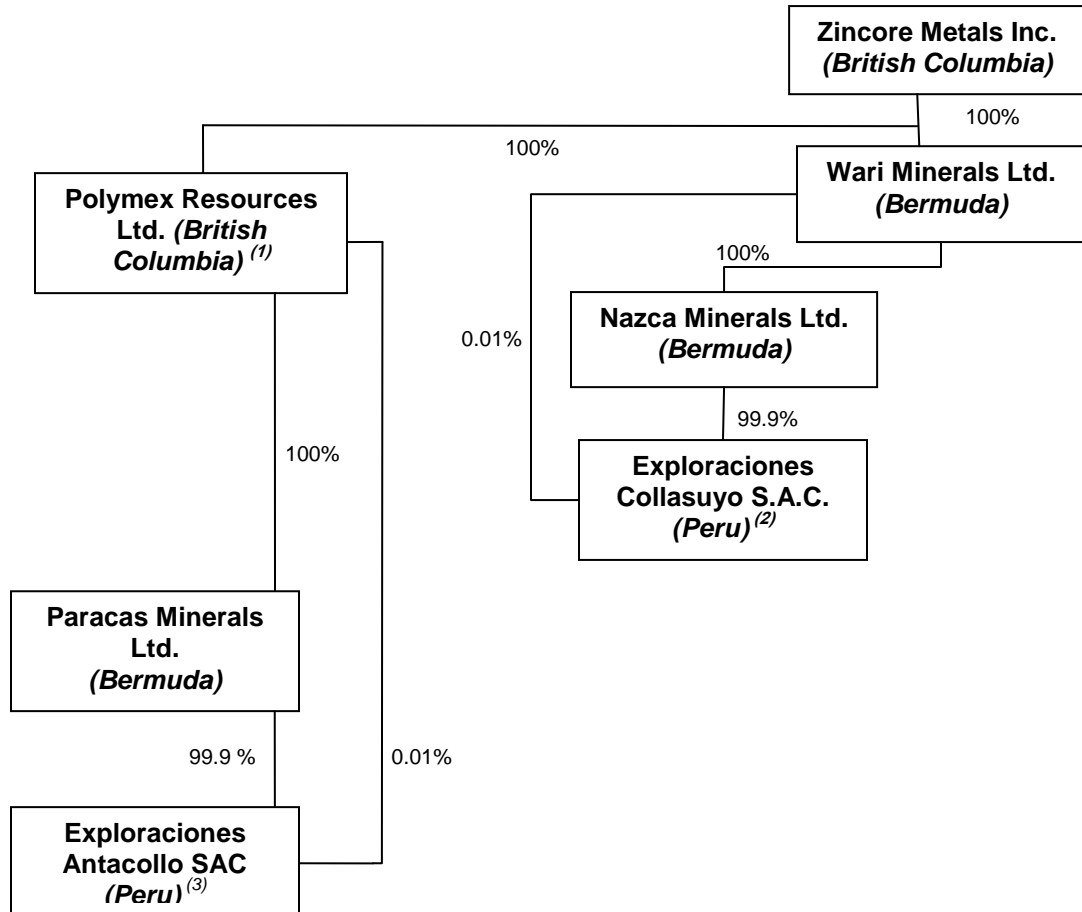
### **Name, Address and Incorporation**

Zincore was incorporated under the *Business Corporations Act* (British Columbia) on September 21, 2005 under the name "Peru Zinc Corporation". The Company changed its name to "Southern Zinc Corporation" on April 26, 2006 and subsequently to "Zincore Metals Inc." on June 5, 2006.

The Company's head office and registered and records office is located at Suite 450 - 1040 West Georgia Street, Vancouver B.C., V6E 4H1. The Company is a reporting issuer in British Columbia, Alberta, Manitoba and Ontario and its common shares trade on the TSX and Lima Stock Exchange ("BVL") under the symbol "ZNC".

## Intercorporate Relationships

The corporate structure of Zincore, its active subsidiaries, the percentage ownership in such subsidiaries as at the date of this AIF and the jurisdiction of incorporation of such subsidiaries are set out in the following chart:



(1) Subject to an earn-in by First Quantum Minerals Ltd.. See "General Development of Business- Three Year History".

(2) Holder of the Company's Accha and Yanque deposits

(3) Holder of the Company's Dolores property.

## General Development of the Business

### Three-Year History

During the past three years the Company has been primarily focused on developing its exploration projects in Peru and, specifically, the Accha Zinc Oxide District Project (the "AZOD Project") located in the Cusco Region of Peru. The AZOD Project comprises the Accha deposit, the Yanque deposit and the Dolores copper occurrence located in the Cusco Region of Peru.

#### *Year Ended December 31, 2011*

On March 21, 2011, the Company announced the results of an independent mineral resource estimate for the Accha deposit of the AZOD Project. A full technical report was filed on SEDAR on May 6, 2011 (the "2011 Technical Report"). The mineral resource estimate contained in the 2011 Technical Report has since been updated. For a current mineral resource estimate for the Accha deposit, see the disclosure under the heading, "Description of Business - Mineral Projects."

On October 13, 2011, the Company announced it had received a positive Preliminary Economic Assessment (the "2011 PEA") for the development of the AZOD Project from AMEC whom it had engaged to carry out the 2011 PEA. A new resource estimate for the Yanque deposit was prepared by AMEC as part of the 2011 PEA. This estimate included the initial 45 holes previously drilled in 2007 and 2008 by Zincore, but did not include results from the drilling program performed in 2011. For a current mineral resource estimate for the Yanque deposit, see the disclosure under the heading, "Description of Business - Mineral Projects."

The 2011 PEA considered two scenarios for the production of final products for sale. A Base Case investigated processing the concentrate to produce a special high grade zinc ingot and lead sulphate, by-product, while an alternate scenario considered selling the zinc-lead oxide concentrate to a third-party refinery (the "Fume Case"). In the 2011 PEA, AMEC recommended the commencement of a prefeasibility study (a "PFS") which began in 2012.

In addition to the Accha and Yanque deposits, the AZOD Project contains the Dolores copper occurrence, located approximately three kilometres east of the Yanque deposit. Drilling on the Dolores property started in early 2011 following the approval of the first stage drill permit and results from the first two holes were released on March 3, 2011. The results from the second hole indicated consistent and evenly distributed copper and molybdenum mineralization throughout the length of the hole, including 0.27% copper equivalent over 297 metres. The mineralization was encountered just below the surface (at about 18 metres) and extended to 315 metres with no zero grade intervals. No significant values were intercepted for the first drill hole, which is located almost two kilometres from the second one and which intersected what is believed to be a younger, unmineralized intrusive within the Dolores system.

Results of a further eight holes drilled on Dolores were released in early October 2011. Highlights include: 0.32% Cu Eq over 144.4 metres, including 0.49% Cu Eq over 72.4 metres in hole DOL-9; 0.29% Cu Eq over 116 metres in hole DOL-10; and 0.20% Cu Eq over 33.7 metres in hole DOL-7. Copper equivalent totals were calculated at that time using TD Newcrest long term prices of US\$2.25/lb copper and US\$15/lb molybdenum with metallurgical recoveries and net smelter returns assumed to be 100%.

Holes DOL-2, 7, 9, and 10 all intersected moderate potassic alteration in the mineralized diorite porphyry along with moderate to strong quartz veining over significant widths. In addition, holes DOL-6, 7 and 8 intersected wide sections of garnet skarn with anomalous to sub-economic copper values over 4 to 8 metre intervals.

On June 15, 2011, the Company completed a private placement by issuing 22,900,000 units at a price of \$0.28 per unit for gross proceeds of \$6,412,000. Each unit comprised one common share and one-half common share purchase warrant. The warrants are non-transferable and each whole warrant entitles the holder to purchase one common share at \$0.40 until June 15, 2014.

On January 11, 2012, the Company released Dolores trench results that included 0.71% Copper Equivalent over a twenty-nine metre trench, located 450 metres and 1 km away from holes DOL-10 and DOL-9 respectively, two of the most highly prospective holes drilled on the property to date. The mineralization is hosted in the same altered quartz diorite porphyry cut in holes DOL-9 and DOL-10, which indicates that the trench area is part of the same system where the Company achieved excellent drill results. Also of note is that all samples in the trench were mineralized indicating that mineralization extends beyond the outcrop and into the surrounding areas.

### ***Year Ended December 31, 2012***

On March 16, 2012, the Company raised, by way of a non-brokered private placement, gross proceeds totalling \$5,405,000 by issuing 27,025,000 units at \$0.20 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each whole share purchase warrant will entitle the holder to purchase one common share at \$0.30 for up to 2 years. These warrants were valued at \$1,475,375 by using the Black-Scholes options pricing model assuming no dividends are to be paid, volatility of 89%; risk free interest rate of 1.12%; and an estimated life of 2 years. The Company paid fees totalling \$378,414 in connection to this private placement.

On April 3, 2012, the Company released additional trench results which reported that it continues to encounter higher grade mineralization in an undrilled area of Dolores. These latest results bring the weighted average grade of this trench to 0.76% Copper equivalent over fifty-two metres.

On May 8, 2012, the Company entered into a strategic partnership with First Quantum Minerals Ltd. ("First Quantum"). Under the terms of a Memorandum of Understanding ("MOU") a wholly-owned subsidiary of First Quantum made a strategic investment in the Company whereby it purchased, by way of a private placement, 19,113,874 common shares of the Company at a price \$0.20 per share for gross proceeds totalling \$3,822,775. Pursuant to the MOU, Zincore agreed to conduct a regional exploration program on its concessions using a minimum of 60% of these private placement funds, including a minimum of US\$1.0 million in the 12 months following closing of the private placement. As well, First Quantum can earn up to an 80% interest in Zincore's Dolores copper porphyry project by funding the advancement of the project through exploration, and if warranted, development and production. In order to earn its 80% interest First Quantum must fund the advancement of the project through exploration, and if warranted, development and production. First Quantum would acquire its interest in the Dolores property by earning an equity interest in Polymex Resources Ltd. ("Polymex"), a wholly owned subsidiary of the Company. On August 28, 2012, the parties entered into a definitive agreement (the "Earn-In Agreement") with respect to the earn-in. Details of the funding/earn-in structure are as follows:

- First and Second Earn-Ins: First Quantum has committed to spend US\$3.0 million at Dolores by August 28, 2013 to earn an unvested 30% equity interest in Polymex.
  - The 30% interest will vest if First Quantum provides written notice (the "Vesting Notice") within 60 days of the first anniversary of the Earn-In Agreement Date that it will commit to spend an additional US\$5.0 million (the "Second Earn-In") within 18 months of the date of the Vesting Notice (the "Vesting Notice Date"). After the additional US \$5.0 million is spent, First Quantum will have earned a 50.1% interest in Polymex. If First Quantum fails to meet its Second Earn-In commitment it will have to forfeit its 30% interest in Polymex.
  - Zincore will be the operator until First Quantum has fulfilled the requirements of the Second Earn-In with oversight from First Quantum by way of a technical committee.
- Third Earn-In: First Quantum can earn an additional 9.9% in Polymex by producing a NI-43-101 compliant indicated resource estimate (and associated technical report) of more than one million tonnes of contained copper at a 0.20% cut-off grade within three years following the Vesting Notice Date.
- Fourth Earn-In: First Quantum will have the option to earn an additional 10% of Polymex by providing within four years of the Vesting Notice Date studies in sufficient detail that under industry customs and norms a fully informed construction decision can be made.
- Fifth Earn-In: First Quantum can acquire an additional 10% interest in Polymex provided that commercial production at Dolores commences within 96 months of the Earn-In Agreement Date. First Quantum will be responsible for funding all costs associated with construction of a mine and bringing the Dolores area to commercial production including Zincore's share of capital expenditures for construction. Zincore will repay its portion of the construction cost from 70% of its portion of the available cash flow from the project.

At the end of the completion of the fifth earn-in, the Company would have a 20% interest in Polymex which it could elect to convert to a 3% Net Smelter Return Royalty.

In November 2012, the Company announced assay results from hole Dol-11, which is the first hole drilled on Dolores under the terms of the MOU. Highlights included 0.27% copper equivalents over 35.7 metres

and 0.19% copper equivalents over 125.6 metres. Copper equivalent totals were calculated at that time using TD Securities long term prices of US\$2.75/lb copper and US\$15.00/lb molybdenum and do not include any potential gold or silver credits. Metallurgical recoveries and net smelter returns are assumed to be 100%.

In July 2012, Zincore entered into two separate contracts with Mintek in South Africa and IMN Gliwice in Poland in order to perform the metallurgical test work for a PFS on the AZOD Project. Representative samples were sent to both locations. Parameter testing has been concluded and the results were incorporated into the 2013 PFS.

### ***Year Ended December 31, 2013***

On January 8, 2013 results from holes Dol-12 and Dol-13 on the Dolores property were released. Highlights included 0.17% copper equivalents over 584.7 metres in hole Dol-12, including 0.26% copper equivalents over 143 metres, 0.35% copper equivalents over 36.4 metres, 0.40% copper equivalents over 10 metres, and 0.31% copper equivalents over 45.8 metres. Copper equivalent totals were calculated at that time using TD Securities long term prices of US\$2.75/lb copper and US\$15.00/lb molybdenum and do not include any potential gold or silver credits. Metallurgical recoveries and net smelter returns are assumed to be 100%. Results in Hole Dol-13 did not return high copper values, however, the hole was intended to be a deep exploratory probe and did meet its goal of intersecting at depth what had been interpreted as mineralized quartz diorite porphyry dikes and quartz chalcopyrite veintletes at the contact between the barren tonalite porphyry and quartzites. Hole Dol-13 is located 2.7 kilometres north of Dol-12, where copper and molybdenum mineralization was found in the same quartz diorite porphyry but in higher grades.

On April 17, 2013, the Company completed a loan agreement with First Quantum whereby First Quantum provided the Company with US \$2 million (the "Loan") for working capital purposes. The term of the agreement is for one year, or as extended by mutual agreement between both parties and the interest rate is LIBOR plus 5%. Unless Zincore chooses to repay the Loan in cash prior to maturity, First Quantum will choose at or before maturity, one of the following three conversion options to receive repayment:

- Credit all or a portion of the Loan amount towards First Quantum's obligations to incur project expenditures for the Dolores joint venture as per the terms announced by Zincore on July 13, 2012;
- Credit all or a portion of the Loan amount towards the First Quantum's obligations to earn into any new copper target selected from the Company's recent copper reconnaissance as announced by Zincore on January 23, 2013;
- Convert all or a portion of the loan amount into Zincore shares, subject to the prior approval of Zincore shareholders if the conversion would result in the issuing of a number of shares greater than 10% of the Company's issued and outstanding common shares at the time of conversion. Any conversion of loan amount into Zincore shares would be at the greater of the volume weighted average trading price of the Company's shares on TSX for the five days prior to the date of conversion, or US \$0.48/share. The price of the conversion was originally US \$0.08/share, but was changed to US \$0.48/share as a result of the share consolidation described below.

On July 23, 2013, the Company announced that it has expanded its strategic partnership with First Quantum under a binding Memorandum of Understanding ("MOU") to pursue a regional copper exploration program over 55,000 hectares of Zincore's 100% owned property package (the "Reconnaissance Properties"). First Quantum will fund exploration on the Reconnaissance Properties until April 1, 2015. During that time, if a copper target area is determined then a framework agreement will be executed between Zincore and First Quantum in order to develop the target under a new joint venture. This MOU will allow exploration work to continue on the Company's large 100% owned land package in Peru while allowing it to preserve cash and minimize dilution during these difficult market conditions for junior mining companies. During the fourth quarter of 2013 the Company reported that three areas on the AZOD property area had been confirmed as high priority copper targets. The two Companies will now

execute separate framework agreements for each Target Area to further explore and, if warranted, develop the Targets as joint ventures.

On August 6, 2013 the Company announced that it received a positive PFS for the AZOD project. A full National Instrument 43-101 compliant technical report was completed and filed on SEDAR on August 26, 2013 (the "2013 PFS"). The 2013 PFS discloses a first time mineral reserve estimate for the AZOD project. Full details of the 2013 PFS are contained under the heading, "Description of the Business-Mineral Projects". The Company is currently exploring every option to advance this project in order to maximize shareholder value, including but not limited to development, joint venture, or sale. As well, a recent reconnaissance program, the results of which were announced in February 2013, indicated five new primary and seven new secondary zinc-lead targets that may increase the potential for the Company's AZOD project. The Company will explore options to expand the potential resources at the AZOD project with a focus on increasing the projected mine life and scope of the project.

On August 8, 2013, the Company held a special meeting of shareholders at which three resolutions were passed: approving the following; (a) permitting the Company to issue shares in lieu of cash for up to C\$250,000 of certain management fees and salaries; (b) allowing management the option of consolidating the Company's shares by a ratio of up to 6 existing shares for 1 new share, and (c) approving the possible conversion of the US\$2 million loan from First Quantum into Zincore shares. The intent for the first two resolutions was to allow the Company to preserve cash and to better position itself to finance once the capital markets for junior explorers improves. The third resolution was put forward because one of the options First Quantum has under the loan agreement described above is to convert the Loan into common shares of the Company. As the Loan will mature before the date of the next Zincore Annual General Meeting, it was thought prudent to deal with the issue at this time. It is important to note that, as of the date of this MD&A, First Quantum has given no indication that converting the Loan into common shares is their option of choice.

On August 26, 2013, the Company completed a six-for-one consolidation of the Company's common shares.

On September 16, 2013, the Company announced its intention to raise by a brokered private placement gross proceeds of US \$1.585 million by issuing 5,866,709 units at a price of US \$0.27 per unit. Each unit will consist of one common share and one-half of a common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at US \$0.36 for up to 24 months. On September 27, 2013 the Company announced that it had closed the first tranche of the private placement for gross proceeds of US \$750,000 (\$771,375 in Canadian dollars). This first tranche consisted of 2,777,775 units at a price of US \$0.27. The 1,388,887 warrants issued relating to this first tranche were valued at \$157,361 and recorded as share issue costs by using the Black-Scholes options pricing model assuming no dividends are to be paid, volatility of 103%; risk free interest rate of 1.24%; and an estimated life of 2 years. On October 17, 2013, the Company announced that its private placement would be closed and the Company would not be proceeding with a second tranche.

## **DESCRIPTION OF BUSINESS**

### **General**

Zincore is an exploration company focused on the identification, acquisition, exploration, evaluation and development of zinc and related base metals projects in the Peru. 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's mineral property interests are in Peru. The Accha Zinc Oxide District (AZOD) is the Company's material property for purposes of NI 43-101.

All of the Company's properties are at the exploration stage and development stage. Each of the Accha deposit and the Yanque deposit has measured, indicated and inferred mineral resources and proven and probable mineral reserves. All remaining properties do not have reported mineral reserves or resources. Zincore does not produce or sell any products at this time. The Company depends on equity capital and asset divestitures to finance its activities.

### *Competitive Conditions*

Zincore competes with other mining companies, many of which have greater financial and technical resources, for the acquisition of mineral claims and properties, for recruitment and retention of employees and consultants and for equity capital.

### *Cycles*

The mining business is subject to mineral price cycles. As Zincore is not a producing company it is not directly impacted by mineral prices, but mineral prices may affect its ability to raise capital, the cost of such capital and the ability to develop its mineral properties.

### *Employees*

As of December 31, 2013 Zincore had 2 employees in Vancouver, and 22 employees in Peru at its Lima office and its Cusco exploration site locations.

### *Foreign Operations*

All of the Company's mineral properties and significant exploration programs are in Peru. The near term success of the Company will be dependent on the results of its exploration and development programs and on Peru remaining attractive jurisdictions for mineral development.

## **Risk Factors**

### *Limited liquidity, Additional financing and Uncertainty of such financing*

Current financial resources may not be sufficient to fund the Company's operations. The Company will require additional financing to conduct exploration programs on its properties and fund corporate costs that are beyond the current financial resources. There is no assurance that the Company will be successful in obtaining the required financing either through issuance of common shares, divestment of properties or partnerships. A lack of financing would cause the Company to further postpone its exploration plans and reduce its technical staff, and may necessitate reducing mineral concessions and/or will cause going concern issues for the Company.

### *Dilution*

Issuances of additional securities at or near the current share price of the Company would result in dilution of the equity interests of any persons who are holders of common shares.

### *Concentration of Ownership*

First Quantum owns approximately 21.7% of Zincore's common shares. Any action by First Quantum to acquire, divest, or alter its stake in common shares of Zincore may affect the share price of Zincore and/or its ability to raise financing.

### *Share price subject to volatility*

The market price of the securities of a publicly traded issuer, in particular a junior resource issuer, is affected by many variables not directly related to exploration success, including the market for junior resource securities, economic performance, market liquidity, commodity prices, availability of alternative investments and the breadth of the public market for the securities.

### *Metal prices subject to volatility*

Zincore's mineral resources are zinc and lead. Zinc and lead are traded on exchanges and their prices have been volatile and are affected by, among other things, forecast global economic conditions, and current supply and demand. While Zincore does not currently produce or sell any metals, the value of its mineral resources and its projects are impacted by current and future expected prices of zinc and lead.

### *No History of Earnings*

To date, the Company has had no revenue from the exploration activities on its properties. The Company has not yet determined that development activity is warranted on any of its properties. Even if the

Company does undertake development activity on any of its properties, there is no certainty that the Company will produce revenue, operate profitably or provide a return on investment in the future.

#### *Mineral Exploration and Development Activities Are Inherently Risky*

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. At present, the Company has not yet determined that development activity is warranted on any of its properties. Unusual or unexpected formations, formation pressures, power outages, labour disruptions, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. These factors can all affect the timing, cost and success of exploration programs and any future development. Although the Company carries liability insurance with respect to its mineral exploration operations, the Company may become subject to liability for damage to life and property, environmental damage, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. There are also physical risks to the exploration personnel working in the rugged terrain of Peru, often in difficult climate conditions.

Previous operations may have caused environmental damage at certain of the Company's properties. It may be difficult or impossible to assess the extent to which such damage was caused by the Company or by the activities of previous operators, in which case, any indemnities and exemptions from liability may be ineffective, and the Company may be responsible for the costs of reclamation.

If any of the Company's properties move to a development stage, the Company would be subject to additional risks respecting any development and production activities.

#### *Uncertainty of Acquiring Required Permits or Community Access Agreements*

The Company must obtain additional permits to complete its planned exploration and development program. Prior to applying for permits, access agreements with local communities are required in certain jurisdictions including Canada and Peru. There is no assurance that the Company will be able to obtain the permits or access agreements or obtain them in a timely manner.

#### *Uncertainty of Quantification / Estimation of Mineral Resources & Mineral Reserves*

The figures for mineral resources and mineral reserves for the Accha and Yanque deposits are estimates and no assurance can be given that the stated tonnages and grades will be achieved.

#### *Dependence on Management*

The Company will be dependent upon the personal efforts and commitment of its management, which is responsible for the development of future business. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

#### *Directors May Have Potential Conflicts of Interest*

Certain of the Company's directors and officers may serve as directors and/or officers of other public and private companies and devote a portion of their time to manage other business interests. This may result in certain conflicts of interest, to the extent that such other companies may participate in ventures in which the Company is also participating. The laws of British Columbia require the directors and officers to act honestly, in good faith, and in the best interests of the Company. In addition, each director must declare his or her interest and abstain from voting on any contract or transaction in which the director may have a conflict of interest.

#### *Political Investment Risk; Political Instability in Developing Countries*

The Company's mineral interests are in countries that may be affected by varying degrees of political instability and the policies of other nations in respect of these countries. These risks and uncertainties include military repression, political and labour unrest, fluctuations in currency exchange rates, rates of inflation, terrorism, hostage taking and expropriation.

The Company's exploration and development activities may be affected by changes in government, political instability and the nature of various government regulations relating to the mining industry. The Company cannot predict a government's positions on foreign investment, mining concessions, land tenure, environmental regulation or taxation. A change in government positions on these issues could adversely affect the Company's business and/or its holdings, assets and operations in Peru. Any changes in regulations or shifts in political conditions are beyond the control of the Company. The Company's operations in Peru entail governmental, economic, social, medical and other risk factors common to all developing countries. See "Economic Uncertainty in Developing Countries". The status of Peru as a developing country may make it more difficult for the Company to obtain any required financing because of the associated investment risks.

#### *Economic Uncertainty in Developing Countries*

The Company's operations in Peru may be adversely affected by economic uncertainty characteristic of developing countries. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and safety factors. Any such changes could have a material adverse effect on the Company's results of operations and financial condition.

Exploration and development in Peru is subject to risk. Peru has been favourable to the mining industry and has been relatively stable over the past 10 years, but there is a risk that this could change. In addition, there are risks that labour unrest or wage agreements may impact operations. The Company believes that the current conditions in Peru are relatively stable and conducive to conducting business, however, Zincore's current and future mineral exploration activities could be impacted by political and/or economic developments.

#### *Risks Relating to Statutory and Regulatory Compliance*

The current and future operations of the Company, from exploration through development activities and commercial production, if any, are and will be governed by laws and regulations governing mineral concession acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities and in the development and operation of mines and related facilities may experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Permits are subject to the discretion of government authorities and there can be no assurance that the Company will be successful in obtaining all required permits. Further, there can be no assurance that all permits which the Company may require for future exploration, construction of mining facilities and conduct of mining operations, if any, will be available on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project which the Company may undertake.

Failure to comply with applicable laws, regulations and permits may result in enforcement actions, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. The Company is not currently covered by any form of environmental liability insurance. See "Insurance Risk", below.

Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in exploration.

#### *Current Mineral Exploration Conditions*

The current infrastructure in Peru and Canada is adequate to support the Company's current activities at its properties, however, if advanced exploration and/or development are undertaken, infrastructure will require augmentation.

### *Title Risks*

The acquisition of title to resource properties or interests therein is a detailed process. Title to the area of resource concessions may be disputed. Based on a review of records maintained by the relevant government agencies in Peru, Zincore's properties are registered in the name of the Company, are under application to the applicable government authority or are held on behalf of the Company pursuant to a legal agreement. There is no guarantee of title to any of the Company's properties. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Title may be based upon interpretation of a country's laws, which laws may be ambiguous, inconsistently applied and subject to reinterpretation or change. The Company has not surveyed the boundaries of any of its mineral properties and consequently the boundaries of the properties may be disputed.

### *Foreign Currency Fluctuations*

The Company's exploration activities in Peru will render it subject to foreign currency fluctuations. While the Company expects to minimize the risks associated with foreign currency fluctuations by holding its cash and short-term investments in U.S. and Canadian dollars rather than the local currencies, to the extent that its operations in those countries are carried out using the local currency, any appreciation of such local currency relative to the U.S. and Canadian dollar could have an adverse impact on the financial position of the Company. Since the Company's financial results will be reported in Canadian dollars, its financial position and results will be impacted by exchange rate fluctuations between the Canadian and U.S. dollars.

### *Repatriation of Earnings*

Peru has no limitation on profit or capital remittances to foreign shareholders provided that all applicable income and, in certain cases, withholding taxes have been paid. However, there can be no assurance that additional restrictions on the repatriation of earnings will not be imposed in the future.

### *Insurance Risk*

No assurance can be given that insurance to cover the risks to which the Company's activities are subject will be available at all or at commercially reasonable premiums. The Company maintains insurance within ranges of coverage which it believes to be consistent with industry practice for companies of a similar stage of development. The Company carries liability insurance with respect to its mineral exploration operations, but does not currently intend to carry any form of political risk insurance or any form of environmental liability insurance, since insurance against political risks and environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is prohibitively expensive. The payment of any such liabilities would reduce the funds available to the Company. If the Company is unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into costly interim compliance measures pending completion of a permanent remedy.

### *Competition*

Significant and increasing competition exists for mineral deposits in each of the jurisdictions in which the Company conducts operations. As a result of this competition, much of which is with large established mining companies with substantially greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mining claims or financing on terms it considers acceptable. The Company also competes with other mining companies in the recruitment and retention of qualified employees.

### *Legal Proceedings*

Substantially all of the Company's assets are located outside of Canada, which may create difficulties in enforcing in Canadian courts any judgments obtained by the Company in foreign jurisdictions. Similarly, to the extent that the Company's assets are located outside of Canada, investors may have difficulty collecting from the Company on any judgments obtained in Canadian courts and predicated on the civil liability provisions of securities legislation. The Company may be subject to legal proceedings and judgments in foreign jurisdictions.

### *Dividends Unlikely*

The Company has not paid any dividends since the date of its incorporation, and it is not anticipated that dividends will be declared in the short or medium term.

## **Mineral Projects**

### **Accha-Zinc Oxide District**

The following summary of the AZOD project (the “Project”) and in particular the summaries of the Accha and Yanque projects in southern Peru are primarily based on the National Instrument 43-101 technical report entitled “AZOD Zinc Oxide Project, Cusco, Peru, NI 43-101 Technical Report on a Preliminary Feasibility Study” prepared for Zincore Metals Inc. and dated August 6, 2013 by AMEC (Peru) S.A. (“AMEC”) with the principal authors being Chris Wright, P. Geo., Sergio Munoz, CMC, William Bagnell, P.Eng., Stewart Twigg, P.Eng., Vikram Khera, P.Eng., and Stella Searston, RM SME, all of AMEC, and Michael Valenta, Pr. Eng. of Metallicon Process Consulting. Given the proximity of the Accha and Yanque deposits, as well as the additional zinc-lead prospects, the Company considers it prudent to analyze the Accha Zinc Oxide District as a single entity, served by a central processing facility.

For a complete description of the assumptions, qualifications and procedures associated with the following information, reference should be made to the full text of the technical report, referred to herein as the 2013 PFS, which is available for review on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **Introduction**

The 2013 PFS considers mining zinc and zinc-lead oxide mineralization from proposed open pit and underground mines at the Accha and Yanque deposits and processing them in a planned central pyrometallurgical facility to produce a zinc-lead oxide fume. In the Base Case scenario, fume will be trucked to a proposed hydrometallurgical refinery on the coast where Special High Grade (SHG) grade zinc ingot and lead sulphate concentrate will be produced. In a second scenario, the Fume Case, the zinc-lead oxide fume would be dehalogenated at the planned pyrometallurgical facility and sold to a third party for refining.

### **Project Description and Location**

Zincore uses an indirectly wholly-owned subsidiary, Exploraciones Collasuyo SAC (“Collasuyo”), for its Peruvian lead/zinc operations. A separate subsidiary, Exploraciones Antacollo S.A.C. (“Antacollo”), is used for other commodities. Collasuyo’s office is located in Lima, Peru and the concessions are subject to all the terms and conditions of Peruvian mining law.

The Project is located in the southwestern part of the Region of Cusco, Provinces of Chumbivilcas and Paururo and the Districts of Accha and Colquemarca. The centre of the AZOD property is 65 km south of the city of Cusco and comprises both the Accha and Yanque deposits. At the north end of the Property is the Accha Project and at the south is the Yanque project. A number of zinc prospects with limited exploration occur on the Property between these two deposits.

The project area comprises 75 contiguous mining concessions, which collectively have an area of 58,532 ha. A total of 59 of the concessions are held in the name of Collasuyo. The five Gema concessions are held by Minera del Suroeste S.A.C (“Suroeste”), and are situated to the west and northwest of the Yanque deposit, and are under option to Collasuyo. The remaining 11 concessions are held in the name of Exploraciones Antacollo S.A.C.

The Accha project area consists of three mining concessions named Accha-3, Accha-4 and Accha-5 which are 100 percent held by Collasuyo; the Accha deposit is covered by the Accha 4 concession. The project area covers 3,000 hectares and is approximately 70 kilometres south of the city of Cusco, Peru in the cordillera of southeastern Peru at 13°-58’S latitude, 71°-54’W longitude. .

The Yanque project area consists of two mining concessions, totalling 1,600 hectares, named Jaguar-1 and Jaguar-2, which are 100 percent held by Collasuyo and cover the Yanque deposit. Yanque is approximately 90 kilometres south of the city of Cusco at 14° 10’S latitude, 72° 04’W longitude.

Title over a mining concession does not grant its holder ownership of the surface land under which it is located. In order for the holder of a mining concession to carry out exploration or development activity, the owner must purchase the corresponding surface rights, reach an agreement with the owners for its temporary use, or obtain a legal easement by the Ministry of Energy and Mines.

Surface rights in the Accha deposit area are held by the community of Parcco. Zincore has signed agreements with Parcco and the neighbouring community for temporary use of the surface lands to allow exploration activities. Surface rights in the Yanque deposit area are held by the Yanque community. Collasuyo has a current five-year access agreement, signed in 2010, with the community which allows exploration activities. Any future mine development and mining operations will require additional agreements with these communities to allow mining activities, or a purchase of the land under which the deposits lie may be required.

During applications for the Category II exploration permits for the Accha and Yanque deposits, a survey was performed on the Accha 3, Accha 4, Jaguar 1 and Jaguar 2 concessions to evaluate whether major environmental liabilities were present. No major such liabilities were noted. Current environmental liabilities associated with the exploration programs consist of the exploration camps, drill pads and drill pad access roads, and general project access routes through private lands. There is an expectation that there may be some minor environmental contamination associated with the historic artisanal workings that have exploited surface outcroppings for pottery.

In support of the Category II exploration permits for the Accha and Yanque deposits, archaeological surveys were performed over the areas intended to have drill pad construction. No archaeological remains were noted in these surveys. A full archaeological survey to encompass the areas planned as infrastructure sites and along the road and power line traverses will need to be conducted. The Yanque area has a colonial church which will need to be evaluated to assess any Project impact on the cultural heritage.

Mining concessions in Peru are irrevocable and perpetual provided that the title is current with respect to payment of good standing fees. AMEC was provided with legal opinion that support that all concessions were in good standing as at July 11, 2013. A mining concession allows its holder to carry out exploration and exploitation activities within the area established in the respective concession title provided that prior to the beginning of any mining activity, such title is granted by INGEMMET and other available administrative authorizations are obtained for the use of water, explosives and other environmental issues. In order to maintain a mining concession, concession holders must pay a validity fee of US\$3/ha per year. If payments are not made for two consecutive years, the mining concession will be cancelled. Holders of mining concessions are also obliged to achieve a minimum production of US\$100/ha per year within six years of granting of the concession. If production is not reached, a penalty of US\$6/ha per year must be paid until production is reached (penalties increase to US\$ 20 as from the twelfth (12) year). It is possible, however, to avoid payment of the penalty if evidenced to the mining authorities that an amount equivalent to (at least) ten (10) times the applicable penalty, has been invested in the mining concession.

The Peruvian government currently levies a sliding-scale royalty on gross sales from mining operations that ranges between 1% and 3%. The mining royalty payable is: 1% for annual sales of under US\$60 million, 2% for gross sales from US\$60 million to US\$120 million and 3% for gross sales in excess of US\$120 million. Third-party royalties will be payable on any production from the Puyani, four Dolores, and five Gema concessions; however, these concessions are not within the current area of the mineral resource or mineral reserve estimates.

Pursuant to Peru's Environmental Regulations for Mineral Exploration Activities, mineral exploration activities are classified into two categories, each of which requires a different environmental certification. Zincore currently holds Category II permits for the areas covering the Accha and Yanque deposits. Projects classified in this category must complete a Semi-Detailed Environmental Impact Assessment (EIAsd). Additional permits will be required for further development. The number and type of permits would be reviewed during any feasibility-level studies conducted on the Project. Semi-detailed baseline studies were carried out in application for Category II exploration permits at Accha and Yanque.

#### **Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The centre of the property is 65 km south of Cusco and can be reached by road from Cusco, a distance of 115 km, by following the regional highway, a graded gravel government maintained road, approximately 95 km to the turn-off for the Accha Camp, a trip of approximately three and a half hours.

The Accha deposit is accessed by taking a private road maintained by Zincore from the turn-off at the Regional Highway, 20 km north east to the Accha Camp and another 4 km north east to the deposit itself. The Yanque deposit can be reached by following the Regional Highway another 15 km south of the Accha turn-off and turning west along a private access road 20 km to the Yanque Camp. Cusco has a reasonable regional airport and excellent tourist infrastructure but has more limited mining infrastructure than Arequipa.

The AZOD property can also be accessed from the regional capital city of Arequipa and the major deep water port at Matarani. The city of Arequipa, approximately 450 km south of AZOD, is a large, modern city with regularly scheduled flights connecting it to Lima. Arequipa has a population of approximately 900,000 and is a well-established mining centre with a skilled labour force, and suppliers of equipment for mining and mineral processing.

The proposed area where the hydrometallurgical facility would be located is south of the port at Ilo, and can be reached from the Project using the Regional Highway, turning off at Imata at the junction with Highway 28 which leads to Arequipa, a distance of about 105 km. From Arequipa, it is an additional 100 km using Highway 34 to Ilo.

The Project area has a mild temperate climate with dry winters and warm summers. The Ilo area is a semi-warm desert, with low rainfall during the summer; however, the El Nino effect can result in increased rainfall when it occurs. The location, climate and local resources in the vicinity of the Project allow for year-round exploration activities.

Power for the AZOD area will be supplied from the Quencoro sub-station via a 75 km, 60 kV transmission line to the distribution substation located at the pyrometallurgical plant. From this main sub-station power will be distributed to all the project sites; this includes the 23 kV transmission line to the Accha site.

Overhead power supply lines will be installed with optical fibres. The communication networks between areas will have to meet the needs of the following areas: process control systems, access control, VoIP, Zincore's corporate network, closed-circuit television (CCTV), radio network system, fire detection, security (SCADA) system, Internet access, wireless communication and global position system instrumentation requirements.

Power for the hydrometallurgical plant to be located near the coastal city of Ilo, will be supplied by the 220kV Ilo 2 substation (located next to the hydrometallurgical plant) to the distribution substation at the hydrometallurgical plant. From here power will be distributed to all areas of the plant.

Water for the AZOD area will be obtained from bore holes located around the Yanque pit. This water will be transported and treated at the Yanque camp, where it will be distributed to all the project sites. Water for the hydrometallurgical plant will be supplied by a salt water intake to be processed in a desalinization plant. From here, fresh water will be pumped to all the project areas or further treated at the potable water plant.

Two waste rock facilities have been considered for the AZOD area, each located at each mining site. The Accha site waste rock facility, designed to store 18 Mt of waste rock; and the Yanque site waste rock facility designed to store 41.4 Mt of waste rock. Additionally at the Yanque site, a slag storage facility designed to store 4.7 Mt of slag waste from the pyrometallurgical plant was considered. Generally Waelz slags are very stable ecologically, and suitable for road and other construction application. Some slag will be used as backfill in the underground Accha mine. The remainder will be stockpiled as waste at a suitable location identified near the plant and profiled for closure. Wastes generated in the refinery will be collected in a lined pond, sufficient to contain all the refinery wastes, with the exception of by-product lead sulphate which is assumed to be sold.

The Accha deposit is located on a high plain above the Velille River Valley at an elevation of 4,300 m. Vegetation consists of subtropical lower montane dry rainforest, subtropical montane humid rainforest and subtropical subalpine per humid wet forest. The Yanque deposit is located on a gently rolling plain at an elevation of approximately 3,500 m, above a steep slope down to the Rio Santo Tomas Valley. Vegetation consists of subtropical montane humid rainforest, subtropical lower montane dry rainforest, subtropical subalpine per humid wet forest, subtropical alpine rain tundra.

### **History**

There is evidence of small-scale historic mining activity in the area. Small pits were excavated at Yanque to produce clays and other material used to glaze and colour locally-produced ceramics. These artisanal mines are not currently active.

In 1994 prospecting by Minera del Suroeste S.A.C (“Suroeste”), at the time, the Peruvian subsidiary of Southwestern Resources Corp. identified potential for zinc mineralization in the vicinity of the Accha deposit. Between 1995 and 1997 Cominco built a road and carried out prospecting, trenching and drilling on what is now known as the Accha deposit under option from Suroeste. From 1998 to 2001 Savage Resources Ltd. (“Savage”) and later Pasminco Limited (“Pasminco”) optioned the property from Suroeste and completed drilling, trenching and geophysical surveys. In 1995 and 1996 Rio Tinto Minera Peru (“Rio Tinto”) carried out prospecting and drilling on the Yanque concessions. In 2000 Rio Tinto dropped the Yanque property and Suroeste picked up the concessions.

In 2006 Suroeste transferred the AZOD concessions to Collasuyo in exchange for 32 million shares in Zincore. Between 2006 and 2008 Zincore completed an exploration program including mapping and 15,400 m of drilling and metallurgical test work. In 2008 Zincore commissioned Pincock, Allen & Holt (“PAH”) to prepare a mineral resource estimate for the Accha property. PAH also completed a pre-feasibility study for the Accha deposit, in 2008, which recommended open pit and underground mining at Accha and a combination of dense media separation and conventional flotation to produce a zinc-lead oxide-carbonate-silicate concentrate.

In 2007 and 2008 Zincore drilled 45 diamond drill holes and excavated seven trenches on the Yanque property. In 2008 PAH prepared a mineral resource estimate for the Yanque property based on the first 21 of the 45 holes drilled during the 2007 drill campaign.

Due to weakening metal prices and high capital and operating costs and metallurgical issues, the metallurgical flow sheet considered in the 2008 Accha pre-feasibility study was abandoned. In 2010 Zincore commenced work to define a pyrometallurgical or conventional zinc-oxide flow sheet that could treat material from both the Accha and Yanque deposits. In late 2010 and early 2011, Zincore carried out an infill diamond drilling and metallurgical test work program at Accha. Micon prepared a mineral resource estimate following the drill campaign and this estimate is the basis of the Accha mine plan and mine design in the PEA.

In May 2010, AMEC constructed a mineral resource model for the Yanque deposit based on the database including the Rio Tinto and 2007 Zincore drill campaigns. This mineral resource estimate has an effective date of 31 May, 2011 and was the basis for the Yanque mine plan and mine design in the 2011 PEA. (Zincore carried out an infill drilling program at Yanque from January to August 2011. Results of the 2011 Yanque drill program were presented in the 2011 PEA; however, the drill results were not available, and therefore not used, to support the mineral resource estimate used in the 2011 PEA.) The May 2011 mineral resource estimate for the Yanque deposit replaced the 2008 mineral resource estimate.

During 2012 the Company retained AMEC to complete a PFS on the AZOD project. In July 2012, Zincore entered into two separate contracts with Mintek in South Africa and IMN Gliwice in Poland in order to perform the metallurgical test work for the 2013 PFS on the AZOD Project. Representative samples were sent to both locations. Parameter testing has been concluded and the results have been incorporated into the PFS. Mineral resource estimates for both Yanque and Accha were updated in 2013, replacing previous estimates for both deposits, and form the basis for the mineral reserve estimate presented in the 2013 PFS.

### **Geological Setting**

The Andes region of southern Peru is underlain by a thick sequence of clastic and marine sediments that have been folded and thrust eastward in the Andean Orogeny, which event shaped the structural geology of the region. The AZOD property is located in the Andahuaylas-Yauri belt, which is dominated by the Eocene to Early Oligocene Andahuaylas–Yauri batholith (intruding Precambrian to Paleozoic basement rocks) and Mesozoic to Early Cenozoic clastic and marine sediment sequences.

The basement sequence culminates in Permian to Early Triassic age volcanoclastic and clastic rocks. The basement is overlain by Mesozoic and Cenozoic sediments deposited in the Eastern and Western Peruvian basins. The eastern basin is made up of marine clastic and carbonate rocks. The western basin, exposed where the AZOD property is located, is a marine transgressional sequence grading from continental deep-water clastic sediments to limestone. The north-eastern edge of the western basin includes the Lagunillas and Yura Groups, made up of middle to late Jurassic quartz-arenite, the Mara and

Ferrobamba Formations. The Yanque and Accha deposits occur near the conformable to semi-conformable contact between the Mara and Ferrobamba formations.

The AZOD property is underlain by marine clastic sediments of the Soraya and Ferrobamba Formations. Sediments are broadly folded around the west north and eastern sides of a lobe of the Andahuaylas-Yauri Batholith.

The Accha deposit is contained within a package of Upper Cretaceous bituminous silty limestone. Mineralization occurs in a bed of reef-facies and fossiliferous limestone that has been folded to occupy the north and south limb of an anticline. The anticline hosting Accha is roughly cylindrical, slightly overturned and gently doubly-plunging to the east and west. Mineralization is located at the nose of the fold and outcrops in an elongated dome shape. The east end and part of the hinge of the anticline hosting the Accha deposit have been eroded; however, both limbs, especially the north limb, and the western extension of the anticline have excellent potential to host additional mineralization.

The Yanque deposit is located approximately 30 km south–southwest of the Accha deposit and lies at a slightly lower stratigraphic elevation than Accha. The deposit is stratabound and hosted in micro-conglomerates of alluvial origin, representing the top of the Mara Formation directly below the Ferrobamba Formation carbonate succession. Yanque is interpreted to have formed along a north–south-striking fault that may have had a role as a feeder along which mineralizing fluids were able to pass and access the relatively porous inter-formational breccia where zinc–lead mineralization occurred. A series of cross faults or broad open folding along a northeast-striking axis are interpreted to cause the gently undulating form of the deposit but these faults have not been mapped.

### **Exploration**

Zincore has drilled 101 holes at Accha, for a total of 19,774 metres, and 128 holes at Yanque, for a total of 16,354 metres. Infill drilling has been completed at both deposits, to better define the high grade portions of the deposits and to confirm the geological models previously established. The infill drilling was not incorporated into the Yanque model or resource estimate reported in the 2011 PEA but has been incorporated into the Yanque model, Resource Estimate and Reserve Statement reported in the 2013 PFS. A geomechanical study of the Accha deposit has enhanced the understanding of the geotechnical parameters in order to provide recommendations for open pit and underground design criteria. During 2010 and 2011 initial preliminary bench scale reductive roasting and subsequent pilot scale pyrometallurgical testing was conducted on exploration drill core and trench samples from Accha and Yanque.

All drilling at AZOD has been performed by a contractor, Bradley MDH S.A.C. (“Bradley”), while most of the sample preparation was performed by Collasuyo staff and assayed by ALS Laboratories and Acme Laboratories in Lima.

Exploration activities such as mapping, surface chip sampling and channel sampling from pits and trenches have been used to generate a geochemical database of data gathered from appropriate methods to allow for exploration target generation and prioritization.

### **Mineralization**

At Accha, gossans rich in zinc carbonates, silicates and oxides are exposed at surface over an area measuring about 300 m by 100 m and drilling shows that the main body of oxide mineralization forms an east–west to west–northwest-striking mineralized panel approximately 700 m long and 5 m to 20 m thick. The principal control on mineralization is a fossilized algal reef. Grades of 5% to 25% Zn and approximately 1% Pb are found within the fossilized reef complex while lower grades, ranging from 1% Zn to 10% Zn with minor lead are found associated with detrital reef material in the fore reef and back reef areas. The reef complex is sandwiched between massive limestone on the footwall and hanging wall. Both replacement and open-space filling textures are associated with zinc mineralization, which is dominated by hemimorphite and smithsonite and consists of irregular, massive to stockwork mineralization hosted by very broken thin bedded limestone and interbedded massive limestone. Mineralization is typically associated with limonite.

Mineralization at Yanque forms a tabular stratabound blanket measuring approximately 1,200 m long, 800 m wide and 100 m thick. Yanque is stratabound and hosted in micro-conglomerates of alluvial origin. Breccias located near major fault zones may represent the main pathways for fluid flow, as well as for subsequent weathering. Intense sericitization and dolomitization resulting from hydrothermal circulation

are associated with sulphide mineralization. The metal concentration in the stratabound mineralized horizons is especially high where the conglomerate lithology is buffered at its base by the more compact quartz arenites and pelites. The latter, more impervious lithologies may have hindered the downward migration of fluids, and enhanced subsequent precipitation of lead and zinc. Preliminary detailed mineralogical work indicates that the mineralized zone is composed of weathered host rocks rich in kaolinite and other clays derived from feldspars and micas, as well as goethite, hematite and Mn-(hydr) oxides which are locally Pb-enriched. In the upper part of the deposit, the most important zinc- and lead-bearing minerals are Zn-smectite and hemimorphite with up to 40% Zn while the lowermost zone is dominated by cerussite and relict galena. Cerussite is diffused in the whole rock, but can be more concentrated in veins replacing galena, or as late cement between hydrothermal dolomite crystals.

### **Drilling**

Drill campaigns have been carried out on the Project by Rio Tinto, Suroeste, Pasminco, Savage and Zincore. The majority of drilling was focused on the Accha and Yanque deposits; however, some exploration drilling was carried out at some of the other occurrences within the Project area. Holes in the Zincore campaigns account for 81% of holes drilled at Accha and 89% of holes drilled at Yanque.

Drilling is summarized below:

<b>Company</b>	<b>Program Aim</b>	<b>Period</b>	<b>RC Holes</b>	<b>DD Holes</b>	<b>Total Metres</b>
Cominco	Reconnaissance Testing	1995-1996		6	1,031
Savage	Oxide Resource Drilling	1998-1999	26	12	8,149
Pasminco	Sulphide Ore Search	1999-2000	10	8	4,944
Rio Tinto	Reconnaissance Testing	1996		16	1,769
Suroeste	Reconnaissance Testing	2005		12	1,128
Zincore	Metallurgical Sampling	2006		4	600
Zincore	Oxide Resource Drilling	2006-2007		107-HQ/NQ	20,993
Zincore	Oxide Resource Drilling	2010-2011		118-HQ/NQ	14,535
<b>Total</b>		<b>283 Holes</b>	<b>36 RC Holes</b>	<b>247 DD Holes</b>	<b>53,149</b>

Zincore drilled 14,465 m in 62 drill holes in and around the Accha deposit during 2006 and 2007. Holes were drilled along section lines oriented roughly north-south with down-hole inclinations of -44° to -89°. Drill holes testing the north limb of the mineralized body were drilled at azimuths of approximately 180° to provide better core intersection angles. During 2010, as recommended by Micon, Zincore completed a definition drilling program of an additional 35 holes, totalling 4,708 metres at 25 m intervals, targeting the main high grade algal reef unit.

In 2007 Zincore drilled a total of 45 exploration holes at Yanque for a total of 6,873 metres. Beginning in 2010 and ending in August 2011, Zincore completed a definition drilling program of an additional 83 holes for 9,326 metres. Results of this drilling were not used to build the mineral resource model used in the 2011 PEA as the program was ongoing at the effective date of the current mineral resource estimate for Yanque but has been incorporated into the Yanque model, Resource Estimate and Reserve Statement reported in the 2013 PFS .

Down-hole surveys were recorded at 50 m down-hole intervals for drill holes drilled by Zincore at Accha and Yanque. Down-hole surveys were taken using a Flexit or Reflex Easyshot magnetic down-hole survey instrument. Zincore geologists supervised the drill contractor, Bradley. Drill core recovery from both the Accha and Yanque deposits was considered excellent.

### **Geotechnical and Hydrological Drilling**

Drill campaigns have been carried out on the AZOD property by AMEC to determine the geotechnical as well as hydrogeological conditions for both Accha and Yanque pit areas. Five borings have been drilled in the Accha pit area to depths of 50 to 150 m for a total of 540 m of drilling. Also, seven borings have been drilled to depths of 115 to 180 m in the Yanque pit area for a total of 900 m of drilling. In addition, two borings have been drilled in the proposed Accha waste dump area and three borings in the Yanque potential waste dump locations for a total of 150 m of drilling.

<b>Company</b>	<b>Program Aim</b>	<b>Period</b>	<b>DD Holes</b>	<b>Total Metres</b>
AMEC	Geomechanical at Accha	2012	5	540
AMEC	Geomechanical at Yanque	2012	7	900
AMEC	Geotechnical Conditions Accha Waste Dump	2012	2	60
AMEC	Geotechnical Conditions Yanque Waste Dumps	2012	3	90

### **Sampling and Analysis**

All legacy core (pre-Zincore) was half sawn and sampled at 0.2 m to 3.0 m lengths. The Cominco drill core assays were performed by the in-house Cominco laboratory. Laboratory accreditations at the time are not known. Savage and Pasminco appear, based on the analytical assay receipts, to have used SGS del Peru S.A. and ALS Geolab S.A. Laboratory accreditations at the time are not known. Rio Tinto used Anamet Laboratories during their drill program at Yanque. Laboratory accreditations at the time are also not known.

A standard half-core sample length of 1 m was used within mineralized zones, and 2 m outside mineralized zones for all Zincore programs. All Zincore core was photographed.

Density determinations were performed by Zincore personnel on 124 core samples from Accha; 50 of these samples were subsequently re-determined at ALS Lima. Both the on-site and check determinations followed the paraffin wax-coated immersion density determination method. A total of 503 determinations were performed on Yanque core by Zincore personnel, using the wax-immersion technique.

ALS and ACME Laboratories in Lima have acted as the primary laboratories during the Zincore drill programs. Check assays were performed by SGS Peru, also in Lima. All three are accredited third-party commercial laboratories.

Samples analysed by ALS were crushed to P70 -2 mm then split and pulverized to P85 -75 µm. The samples were digested using a three-acid digestion and analyzed by two packages. Lead and zinc were determined by atomic absorption (AA62) and if the results exceeded 30%, samples were re-assayed by volumetric methods (VOL70). All samples were also analyzed by inductively-coupled plasma mass-spectroscopy (ICP) for 25 elements using a three acid digestion for complete dissolution (ME\_ICP61a). The ICP method provided reliable total analyses for calcium, iron, magnesium, manganese as well as silver, aluminium, arsenic, beryllium, bismuth, cadmium, cobalt, chromium, copper, potassium, molybdenum, sodium, nickel, lead, antimony, strontium, titanium, vanadium and zinc.

Sample preparation at Acme consisted of crushing to 95% passing 7 mm, then pulverising to 95% passing 75 µm. Zn and Pb grades were determined by atomic absorption methods, and if the analytical results exceeded 10%, samples were re-assayed by volumetric methods. In addition, all samples were assayed by ICP emission spectroscopy methods for a 37-element suite.

For the Zincore programs, certified standard samples have been inserted at a rate of one per 20 drill core samples, blanks have been inserted at a rate of one per 16 core samples.

A total of 170 Accha pulps were sent to SGS Peru for check analysis. A review by Micon Consultants indicated no significant analytical issues when comparing check to original assays.

Project assay, survey and lithological data are stored in an Access database that is regularly backed up. All remaining legacy and Zincore drill core is stored at the Accha camp. Zincore core and coarse crushed rejects and assay pulps, once returned from the laboratory, are stored in permanent storage sheds at the Accha camp.

Sample security was not generally practiced at either Accha or Yanque during the drilling programs, due to the remote nature of the sites. Sample security relied upon the fact that the samples were always attended or stored in the on-site sample dispatch facility.

The AMEC QPs concluded that sampling methods are acceptable, meet industry-standard practice, and are acceptable for mineral resource and mineral reserve estimation and mine planning purposes. The quality of the analytical data is reliable and sample preparation, analysis, and security are generally performed in accordance with exploration best practices and industry standards.

The process of data verification and auditing for the Project has been performed by external consultant firms from 2006 to date, in support of preparation of technical reports and mineral resource estimates. The AMEC QPs concluded that as a result of this work, the audit findings acceptably support the geological interpretations and the database quality, and therefore support the use of the data in mineral resource and mineral reserve estimation, and in mine planning.

### **Security of Samples**

Industry-standard sample security measures appear to have been in use at AZOD, including the use of numbered security tags for samples and during shipping. Laboratories were instructed to report any tampering of shipments, and none were reported. AMEC concluded that security for drilling and sampling data in the Accha and Yanque databases was carried out following industry-standard practices and was adequate for the purpose of estimating mineral resources and mineral reserves.

### **Mineral Resource Estimates**

The Accha geological model was constructed from a database consisting of 127 drill holes, and 10 trenches. Trench data are used both to inform geological interpretation and provide grade data for interpolation.

The model consists of three domains, the Coral Zone, the Reef Complex, and the Laminated Limestone. A composite length of 2.5 m was used in ordinary kriging interpolation. Composite selection for the first estimation pass required a minimum of four composites from two different drill holes to a maximum of three composites from four holes to estimate a block grade inside the mineralized zone. An outlier restriction was applied which allowed composites over designated threshold grades to participate in estimation of block grades to a maximum distance of 50 m for Coral and 25 m for Reef Complex. Measured mineral resources were assigned where drill spacing was at a nominal 25 m, and indicated mineral resources at a nominal drill spacing of 50 m.

The model was validated using visual inspection, a comparison of OK and nearest neighbour (NN) distributions, and swath plots. No significant biases were observed.

The resource was classified in accordance with CIM standards. The following table reports total mineral resources at Accha:

### Mineral Resource Estimate, Accha

Category	ZnEq Cut-Off (%)	Tonnage (kt)	ZnEq (%)	Zn (%)	Pb (%)	Contained ZnEq (Mlb)	Contained Zn (Mlb)	Contained Pb (Mlb)
<b>Mineral Resources Amenable to Open Pit Mining Methods</b>								
	<b>2.20</b>	<b>2,119</b>	<b>8.75</b>	<b>8.11</b>	<b>0.93</b>	<b>408.8</b>	<b>378.9</b>	<b>43.4</b>
Measured	3.00	1,983	9.17	8.49	0.97	400.7	371.4	42.6
	4.00	1,751	9.91	9.18	1.06	382.6	354.4	40.9
	5.00	1,527	10.71	9.91	1.16	360.4	333.5	38.9
	<b>2.20</b>	<b>4,494</b>	<b>6.03</b>	<b>5.55</b>	<b>0.71</b>	<b>597.4</b>	<b>549.9</b>	<b>70.3</b>
Indicated	3.00	3,700	6.77	6.23	0.79	552.5	507.9	64.6
	4.00	2,916	7.66	7.04	0.89	492.2	452.8	57.1
	5.00	2,286	8.53	7.85	0.98	429.9	395.8	49.4
	<b>2.20</b>	<b>6,613</b>	<b>6.90</b>	<b>6.37</b>	<b>0.78</b>	<b>1,006.0</b>	<b>928.7</b>	<b>113.7</b>
Measured and Indicated	3.00	5,683	7.61	7.02	0.86	953.2	879.3	107.2
	4.00	4,667	8.50	7.85	0.95	874.8	807.2	98.0
	5.00	3,813	9.40	8.68	1.05	790.3	729.4	88.3
	<b>2.20</b>	<b>197</b>	<b>4.95</b>	<b>4.60</b>	<b>0.51</b>	<b>21.5</b>	<b>20.0</b>	<b>2.2</b>
Inferred	3.00	151	5.66	5.25	0.60	18.8	17.5	2.0
	4.00	124	6.13	5.69	0.64	16.8	15.6	1.7
	5.00	89	6.77	6.29	0.69	13.3	12.3	1.4
<b>Mineral Resources Amenable to Underground Mining Methods</b>								
	<b>3.79</b>	<b>17</b>	<b>5.73</b>	<b>4.58</b>	<b>1.66</b>	<b>2.1</b>	<b>1.7</b>	<b>0.6</b>
Measured	4.00	17	5.74	4.60	1.66	2.2	1.7	0.6
	5.00	12	6.24	5.06	1.72	1.7	1.3	0.5
	<b>3.79</b>	<b>920</b>	<b>6.24</b>	<b>5.58</b>	<b>0.95</b>	<b>126.5</b>	<b>113.3</b>	<b>19.2</b>
Indicated	4.00	840	6.46	5.79	0.98	119.6	107.1	18.1
	5.00	554	7.49	6.72	1.12	91.4	82.0	13.6
	<b>3.79</b>	<b>937</b>	<b>6.23</b>	<b>5.57</b>	<b>0.96</b>	<b>128.6</b>	<b>115.0</b>	<b>19.8</b>
Measured and Indicated	4.00	857	6.45	5.76	0.99	121.8	108.9	18.7
	5.00	566	7.46	6.68	1.13	93.1	83.4	14.1
	<b>3.79</b>	<b>553</b>	<b>5.63</b>	<b>5.07</b>	<b>0.81</b>	<b>68.6</b>	<b>61.8</b>	<b>9.9</b>
Inferred	4.00	514	5.76	5.19	0.82	65.3	58.8	9.3
	5.00	277	6.95	6.34	0.90	42.5	38.7	5.5

- (1) Mineral resources have an effective date of 5 July 2013. The mineral resource estimates and geological models were prepared by Christopher Wright, P.Geo. of AMEC and reviewed by Stella Searston, RM SME of AMEC who is the Qualified Person as defined under NI 43-101 for the estimate.
- (2) Mineral resources are reported inclusive of mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability.
- (3) The estimate uses Ordinary Kriging as the interpolation method in a percent block model with a block size of 5 x 5 x 5 m. Density utilized in the mineral resource estimates was 2.51 t/m<sup>3</sup> for mineralization and 2.57 t/m<sup>3</sup> for waste.
- (4) Mineral resources are estimated using a conceptual Lerchs-Grossmann pit shell and conceptual stope outlines that assumed a US\$1.28/lb zinc price, a US\$1.05/lb lead price, marketing treatment, and refining costs of US\$0.201/lb for zinc and US\$0.289/lb for lead, metallurgical recovery of 86.9% for zinc and 97.7% for lead, a mining cost of US\$2.09/t for open pit and of US\$34.92/t for underground mining, and processing, general and administrative costs of US\$48.15/t. The overall slope angle for the Accha open pit is 33o
- (5) Mineral resources are reported above a marginal cut-off grade of 2.20% ZnEq. for the open pit estimate. Underground mineral resources are reported above a cut-off grade of 2.20% ZnEq, below the resource pit shell and within conceptual stope outlines defined at a break-even cut-off grade of 3.79% ZnEq. Zinc equivalent (ZnEq) was calculated by applying the differential of metallurgical recoveries and metal prices net of selling costs to zinc and lead grades.
- (6) Contained zinc and contained lead represent estimated metal contained in the ground and have not been adjusted for metallurgical or other recovery factors
- (7) The metal prices used for the mineral resources estimates are based on a combination of AMEC's internal guidelines (based on long-term consensus prices) and those sourced from Wood Mackenzie and the World Bank. It is industry practice to apply higher long-term metal prices used for mineral resources than that used for mineral reserves
- (8) Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content

The mineral resource estimate for Yanque is based on 45 core holes. Trenches excavated at Yanque are used for geological interpretation but do not inform the resource estimate.

The geological model used in the estimation of the Yanque deposit consists of wireframe solids for major lithological units (Breccia, Diorite and Sediments) and a mineralization model consisting of a grade shell marking the limits of the mineralized mantos. The grade shell was constructed at a nominal 1% Zn+Pb threshold. A composite length of 2.5 m was used in ordinary kriging interpolation. Composite selection for the first pass required a minimum of five composites from three different drill holes or trenches to a maximum of six composites from three holes to estimate a block grade inside the mineralized zone. Outside the mineralized zone, a maximum of eight composites was used for the first pass. In the second pass, the minimum number of composites was reduced to three from two different drill holes or trenches to allow more isolated blocks and blocks at the edge of the estimation domains to be interpolated. An outlier restriction was applied which allowed composites over designated threshold grades to participate in estimation of block grades to a maximum distance of 25 m.

The model was validated using visual inspection, a comparison of OK and NN distributions, and swath plots. No significant biases were observed. Indicated mineral resources were assigned at a nominal drill spacing of 50 m.

#### Mineral Resource Estimate, Yanque

Category	ZnEq Cut-Off (%)	Tonnage (kt)	ZnEq (%)	Zn (%)	Pb (%)	Contained ZnEq (Mlb)	Contained Zn (Mlb)	Contained Pb (Mlb)
<b>Mineral Resources Amenable to Open Pit Mining Methods</b>								
<b>Indicated</b>	<b>1.67</b>	<b>26,491</b>	<b>3.87</b>	<b>2.37</b>	<b>2.18</b>	<b>2,261.5</b>	<b>1,385.3</b>	<b>1,270.0</b>
	2.00	23,242	4.16	2.55	2.33	2,129.9	1,306.7	1,193.1
	4.00	8,701	6.34	4.05	3.32	1,216.0	777.4	635.7
<b>Inferred</b>	<b>1.67</b>	<b>1,169</b>	<b>2.91</b>	<b>2.17</b>	<b>1.09</b>	<b>75.1</b>	<b>55.8</b>	<b>28.0</b>
	2.00	1,081	3.00	2.24	1.11	71.5	53.3	26.3
	4.00	20	5.21	3.32	2.75	2.3	1.5	1.2

- (1) Mineral resources have an effective date of 5 July 2013. The mineral resource estimates and geological models were prepared by Christopher Wright, P.Geol. of AMEC and reviewed by Stella Searston, RM SME of AMEC who is the Qualified Person as defined under NI 43-101 for the estimate.
- (2) Mineral resources are reported inclusive of mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability.
- (3) The estimate used Ordinary Kriging as the interpolation method in a percent block model with a block size of 5x5x5 m. The density utilized in the mineral resource estimates was 2.37 t/m<sup>3</sup> for mineralized material and 2.49 t/m<sup>3</sup> for waste.
- (4) Mineral resources are confined within a conceptual Lerchs–Grossmann pit shell and are estimated using a US\$1.28/lb zinc price, a US\$1.05/lb lead price, overall pit slope angles of 40°, metallurgical recovery of 86.9% for zinc and 97.7% for lead, a mining cost of US\$1.89/t, zinc premium of 5%, lead payability of 94.1%, marketing, treatment and refining costs of US\$0.201/lb for zinc and US\$0.289/lb for lead, and processing, general and administrative costs of US\$36.66/t. Zinc equivalent (ZnEq) was calculated by applying the differential of metallurgical recoveries and metal prices net of selling costs to zinc and lead grades.
- (5) Contained zinc and contained lead represent estimated metal contained in the ground and have not been adjusted for metallurgical or other recovery factors.
- (6) The metal prices used for the mineral resources estimates are based on a combination of AMEC's internal guidelines (based on long-term consensus prices) and those sourced from Wood Mackenzie and the World Bank. It is industry practice to apply higher long-term metal prices used for mineral resources than that used for mineral reserves.
- (7) Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content.

Mineral resources take into account geologic, mining, processing and economic constraints, and have been defined within a conceptual stope design, and therefore are classified in accordance with the 2010 CIM Definition Standards for Mineral Resources and Mineral Reserves and the 2003 CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines.

The geological models and estimates were prepared by Mr Chris Wright, P.Geol, an AMEC employee, and reviewed by Ms. Stella Searston, RM SME, also an AMEC employee, who is the Qualified Person for the estimate. Mineral resources are reported inclusive of mineral reserves; AMEC cautions that mineral resources that are not mineral reserves do not have demonstrated economic viability.

In the opinion of the QPs, mineral resources for the Project, which have been estimated using core drill data and trench data, appropriately consider modifying factors, have been estimated using industry best practices, and conform to the requirements of CIM (2010).

Factors which may affect the mineral resource statements include assumptions used for consideration of reasonable prospects of economic extraction (including metal prices, elevations at which open pit mining will cease in favour of underground operations, variations in local interpretations of mineralization geometry and continuity of mineralization zones that cannot be recognized at the current drill spacing, geotechnical, hydrogeological and operating cost assumptions); issues related to mineral processing that could affect reasonable prospects for economic extraction include reliable supply of coal for use in the Waelz kiln process, production of high quality fume, and hydrometallurgical issues related to the production of zinc ingot; permit delays or other issues in reaching agreements with local communities and obtaining surface rights.

### **Mineral Reserve Estimates**

Mineral reserves were developed assuming two scenarios for the production of final saleable products. A Base Case investigated further processing of fume to produce a special high grade zinc ingot and lead sulphate by-product. An alternate scenario, the Fume Case, investigated selling the zinc-lead fume to third-party refineries. Mineral reserves discussed for the Fume Case are an alternative and are not additive to the mineral reserves of the Base Case.

Mineral reserves have been estimated from the geological resource block model developed for the Yanque and Accha deposits during the 2013 PFS. All zones in the geological model are considered for conversion from mineral resource to mineral reserve as the models are updated. A mine plan was developed to extract the measured and indicated mineral resources of the AZOD Project, dilution and recovery assumptions were applied and cut-off grades were calculated using costs developed for the study and long-term consensus metal price valuations. Open pit and underground mineral reserves were estimated independently based upon criteria specific to the applicable mining method. Reconciliation of the available mineral resources was completed and confirmed that all available mineral resources were included in the mine plan.

Mineral reserve estimates are based on a mining schedule for Base Case and Fume Case and consider an average crusher throughput of 1,340 kt/a and 1,349 kt/a respectively. Approximately 435 kt/a will be produced from the proposed Accha mine including underground production, while 915 kt/a will be produced from the planned Yanque Mine. Prices utilized were US\$1.03/lb zinc and US\$0.95 /lb for lead.

Mineral reserves, by definition, have taken into account environmental, permitting, legal, title, taxation, socio-economic, marketing and political factors and constraints. The mineral reserves are acceptable to support mine planning. Mineral reserves are classified in accordance with the 2010 CIM Definition Standards for Mineral Resources and Mineral Reserves and the 2003 CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines.

Mineral reserves for the Project have been estimated using the available geological block models. Modifying factors have been estimated using industry best practices, and conform to the requirements of CIM (2010). Dilution for the cut-and-fill mining stopes was estimated at 10% and mining recovery was estimated at 95%.

The optimized pit shell used to constrain the mineral resources to meet reasonable prospects of economic extraction used more optimistic assumptions on metal price and costs. Final pit definition for the mineral reserve estimates optimized net present value (NPV) and internal rates of return (IRR) resulting in a change to the interface between the open pit and underground mine. As a result, a portion of the Accha underground proven and probable mineral reserves were converted from the Accha open pit portion of the measured and indicated mineral resources.

Mineral reserves are reported for the Base Case and for the Fume Case in the tables below. Mineral reserves presented for the Fume Case and the Base Case and are not additive.

### Mineral Reserves Statement assuming Base Case

Category	Tonnes (kt)	Zn Grade (%)	Pb Grade (%)	Zn (Mlb)	Pb (Mlb)
<b>Accha Open Pit</b>					
Proven	754	8.43	0.73	140.2	12.2
Probable	468	7.39	0.59	76.3	6.1
<b>Proven &amp; Probable</b>	<b>1,223</b>	<b>8.03</b>	<b>0.68</b>	<b>216.5</b>	<b>18.3</b>
<b>Accha Underground</b>					
Proven	307	11.79	1.70	79.8	11.5
Probable	704	9.74	1.25	151.3	19.4
<b>Proven &amp; Probable</b>	<b>1,011</b>	<b>10.36</b>	<b>1.39</b>	<b>231.1</b>	<b>30.9</b>
<b>Yanque Open Pit</b>					
Proven	0	0.00	0.00	0.0	0.0
Probable	8,338	3.97	2.60	730.5	477.1
<b>Proven &amp; Probable</b>	<b>8,338</b>	<b>3.97</b>	<b>2.60</b>	<b>730.5</b>	<b>477.1</b>
<b>TOTAL – Accha &amp; Yanque</b>					
Proven	1,061	9.40	1.01	219.9	23.7
Probable	9,510	4.57	2.40	958.0	502.5
<b>TOTAL Accha &amp; Yanque Proven &amp; Probable</b>	<b>10,571</b>	<b>5.05</b>	<b>2.26</b>	<b>1,177.9</b>	<b>526.2</b>

- (1) Mineral reserve estimates have an effective date of 11 July 2013. The mineral reserves estimates assuming open pit mining methods were prepared by Sergio Muñoz, Senior Mining Eng., RM Comisión Minera (Chile) of AMEC, and by William Bagnell P.Eng. of AMEC for the estimates assuming underground mining methods.
- (2) Mineral reserves are estimated using the following assumptions: a US\$1.03/lb zinc price, a US\$0.95/lb lead price, and an economic function that includes an average processing, G&A, and ore haulage costs of US\$60.59/t in Accha and US\$37.50/t in Yanque and, marketing, treatment and refining costs of US\$0.201/lb for zinc and US\$0.289/lb for lead, a zinc premium of 5%, a lead payability of 94.1%, and metallurgical recoveries for zinc of 89.6% in Accha and 86.9% in Yanque, and lead recoveries of 97% in Accha and 97.7% in Yanque. Open pit mine designs assumed average inter-ramp pit slope angles of 37° and 46° for Accha and Yanque respectively.
- (3) The open pit referential cut-off grades for Accha are 3.5% Zn and for Yanque are 2.2% Zn. The referential cut-off grade for underground is 6.0% Zn
- (4) The projected life-of-mine strip ratio for the Accha pit is 3.32 and for the Yanque pit is 1.36
- (5) Material within the crown pillar corresponds to 76.2 kt grading 11.33% Zn and 1.31% Pb that is classified as probable mineral reserves
- (6) The metal prices used for the mineral reserves estimates are based on AMEC's internal guidelines (which are based on long-term consensus prices)
- (7) Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content.

### Mineral Reserves Statement assuming Fume Case

Category	Tonnes (kt)	Zn Grade (%)	Pb Grade (%)	Zn (Mlb)	Pb (Mlb)
<b>Accha Open Pit</b>					
Proven	651	9.26	0.80	132.9	11.4
Probable	388	8.26	0.66	70.7	5.6
<b>Proven &amp; Probable</b>	<b>1,039</b>	<b>8.88</b>	<b>0.74</b>	<b>203.5</b>	<b>17.1</b>
<b>Accha Underground</b>					
Proven	237	13.78	1.97	71.9	10.3
Probable	547	11.17	1.43	134.6	17.2
<b>Proven &amp; Probable</b>	<b>783</b>	<b>11.96</b>	<b>1.59</b>	<b>206.5</b>	<b>27.5</b>
<b>Yanque Open Pit</b>					
Proven	0	0.00	0.00	0.0	0.0
Probable	9,711	3.57	2.86	763.3	611.5
<b>Proven &amp; Probable</b>	<b>9,711</b>	<b>3.57</b>	<b>2.86</b>	<b>763.3</b>	<b>611.5</b>
<b>TOTAL – Accha &amp; Yanque</b>					
Proven	888	10.46	1.11	204.8	21.7
Probable	10,646	4.13	2.70	968.5	634.4
<b>TOTAL Accha &amp; Yanque Proven &amp; Probable</b>	<b>11,533</b>	<b>4.61</b>	<b>2.58</b>	<b>1,173.3</b>	<b>656.1</b>

- (1) Mineral reserve estimates have an effective date of 11 July 2013. The mineral reserves estimates assuming open pit mining methods were prepared by Sergio Muñoz, Senior Mining Eng., RM Comisión Minera (Chile) of AMEC by William Bagnell P.Eng. of AMEC (for the estimates assuming underground mining methods)
- (2) Mineral reserves are estimated using the following assumptions: a US\$1.03/lb zinc price, a US\$0.95/lb lead price, and an economic function that include an average processing, G&A ore haulage of US\$60.12/t in Accha and US\$36.80/t in Yanque, marketing, treatment and refining cost of US\$0.290/lb for zinc and US\$0.190/lb for lead, zinc payability of 79.4%, lead playability of 89%, and metallurgical recoveries for zinc of 91% in Yanque and 93.8% in Accha, and lead recoveries of 97.7% in Yanque and 97% in Accha. A percent model was used with a blocks size of 5x5x5 m. Open pit mine designs assumed average inter-ramp pit slope angles of 37° and 46° for Accha and Yanque respectively
- (3) The life-of-mine strip ratio for the Accha pit is 4.08 and for the Yanque pit is 1.36
- (4) The Fume Case open pit referential cut-off grades for Accha are 5.5% Zn, and for Yanque are 2.9% Zn. The cut-off grade for Accha underground is 8.6% Zn
- (5) Material within the crown pillar corresponds to 64.9 kt grading 12.47% Zn and 1.31% Pb that is classified as probable mineral reserves
- (6) The metal prices used for the mineral reserves estimates are based on AMEC's internal guidelines (based on long-term consensus prices)
- (7) Mineral reserves in the Fume Case are not additive to the mineral reserves in the Base Case
- (8) Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content

Factors which may affect the mineral reserve estimate include metal prices, mining and metallurgical recovery assumptions, assumptions relating to geotechnical and hydrogeological parameters used in mine design, assumptions that go into defining the cut-off grade applied to mineral reserves; appropriate dilution control being able to be maintained; variations to the expected revenue through the use of short-term marketing and/or sales contracts; and variations to the permitting, operating or social license regime assumptions.

### **Open Pits**

Pit optimization was carried out using the Lerchs–Grossmann algorithm, and pit designs were constructed using the mining, processing, general and administration, refining, treatment and marketing costs determined in the prefeasibility study.

Pit designs assume a number of pit phases for each proposed open pit mine. In each case, the starter pits, intermediate pit phases and final pits were smoothed to include ramp accesses, berms, minimum mining widths and other operative criteria. The haul roads are designed to accommodate 30 t and 35 t haul trucks with a maximum gradient of 10% and an overall width of 14 m, although, access into the final pit bottom will be gained via a section of single-lane road of 10 m width.

Ground conditions are expected to be poor. Open pit mine designs assumed average inter-ramp pit slope angles of 37° and 46° for Accha and Yanque respectively. It is expected that the Yanque pit will require dewatering when the pit elevation reaches the phreatic standing water level at 3,500 masl. The current mine plan will see this level reached in the base of Phase 1 and Phase 5.

### **Underground**

AMEC has evaluated several alternatives to the mining of underground stopes at Accha. Taking into account the expected poor rock quality, an intermediate angle of the mineralized bodies and continuity of the mineralization, the planned mining method will be cut and fill using breasting on single cuts as this will allow for stabilization of the rock mass and adequate dilution control.

A crown pillar will be used between the Accha open pit and underground stopes. The underground access portal will be located at an elevation of 4,075 masl. From that point, a 521 m adit drift has been designed with a +1.5% gradient to reach a haulage drive at 4,085 masl, which is the elevation of the lowest part of the Z-1 zone.

The main haulage drive will be the main level of extraction, water drainage, access and fresh air ingress to the mining workings. Stope accesses will have a 4.0 m x 4.0 m cross section to facilitate movement of drill rigs and load-haul-dump (LHD) equipment operation.

Stope length will vary to a maximum of 65 m in areas where it is possible to take five cuts per stope. Stopping will start at bottom of the mineralized zones and ascend up dip through the ore body. Systematic

ground support in the form of bolting and screening will be used in the permanent openings supplemented with shotcrete where required in stoping areas.

Waste from stope development will be used as backfill where possible with additional backfill to be supplied from surface through the backfill raises or waste passes. Where the mining width does not exceed 6 m and subsequent cuts are not required, un-cemented waste will be used as backfill. In areas that exceed the 6 m mining width a layer of cement slurry will be applied on top and alongside the waste fill.

### **Mine Plan**

The mining operation will begin with the pre-stripping stage at Accha in 2016, assuming the project continues to be advanced as contemplated in the PFS, subsequent to completion of the PFS. The following year, the Yanque open pit operations are scheduled to begin as the open pit mine does not require any pre-stripping. Plant feed is expected to be initiated in the second year of mining operations, and in the third year underground operations will begin in Accha.

### **Open Pit**

While the underground and open pit operations in Accha are mined simultaneously a 50 m safety zone including a 20 m crown pillar will be required. The safety zone and the crown pillar will be mined at the end of the open pit operation. The open pit mining activities will include: drilling, blasting, loading and haulage of material. Mine production will average for the Base Case 3,090 t/d of ore and for the Fume Case 3,200 t/d of ore, with the use of 30-35 t capacity trucks. Underground production is expected to average for the Base Case 520 t/d of ore and 475 t/d for the Fume Case over the life of the operation. Ore from the Accha mine will be hauled to Yanque using 30–35 t highway trucks. Waste will be hauled to waste rock disposal facilities that will be located 1.4 km from the Accha pit by 35 t trucks, and 1.9 km from the Yanque pit by 35 t trucks.

The average mine capacity will be approximately 3.3 Mt/a (considering both open pit mines) with an average ore delivery of approximately 1,340 kt/a to the primary crusher. The open pit mine life is seven years for Accha (including one year of pre-stripping) and nine years for Yanque in the Base Case. For the Fume Case following the pre-production period, the mines are planned to deliver 1,334 kt/a of mineral to the primary crusher. The open pit mine life is five years for Accha (six years including the pre-strip period) and nine years for Yanque.

The planned Accha and Yanque mine fleets are designed as conventional diesel-powered fleets. In both options, the fleet will be operating on 5 m benches until the pit base is reached. The average operating elevation for the open pits is 4,250 masl for Accha and 3,550 masl for Yanque. Equipment requirements were estimated considering the plant feed, the pit geometry and AMEC's experience in similar-size projects at that elevation in South America.

The haulage fleet for the Accha ore will consist of 30t road trucks. The trucks assigned to the waste material are assumed to have a 35 t capacity. Nine trucks are initially required in Year 1, increasing to a peak of 11 trucks in Year 4 in the Base Case and in Year 3 in the Fume Case. Support equipment will be needed at both Accha and Yanque operations until the Accha operations are completed; after which, only one mine fleet will be required.

Primary consumables for mine operations include diesel fuel, blasting agents, ground support materials and tires.

### **Underground**

The projected start of production in the PFS is January, 2017. Ramp-up will take six months in which an average of 250 t/d will be mined. Following this period, production will reach its full capacity at an average of 500 t/d.

The Base Case foresees a total production of 1.011 Mt with 10.37 % Zn and 1.39 % Pb over a mine life of 6 years. The Fume Case anticipates total production of 0.783 Mt with 11.95 % Zn and 1.6 % Pb over a mine life of five years. For the Base Case and Fume cases, AMEC has considered a 60% recovery of the crown pillar. Pillar recovery will take place at the end of the mine life in 2021 and 2022.

The production plan is based on a highly mechanized operation consisting of diesel powered trackless equipment for development and production. Equipment has been selected based on estimated mine

cycles and productivity calculations in order to reach production targets. Mine production scheduling was performed using Minesched software.

In terms of sequencing, of the three underground stoping zones, the Z-1 zone is planned to be mined starting in January 2017. Production will continue in Z-1 until mineral reserves are depleted in 2021 (crown pillar). The second zone to start production will be Z3 in the second half of 2017. Zone Z3 mineral reserves will be mined out in less than a year (nine months). Zone Z2 will start production in the last quarter of 2017 and will continue until the first quarter of 2021.

### **Process Flowsheet**

The proposed processing facilities for the Base Case for the Project include a pyrometallurgical plant for the reductive roasting of Yanque and Accha Zn-Pb mineralization to fume, and a conventional hydrometallurgical plant for fume refining.

The preliminary flow sheet includes the following process steps:

#### Pyrometallurgy:

- Crushing to a particle size of 100% of -3 mm.
- Pelletization of ore mixed with anthracite coal (Accha ore)
- Pelletization of ore mixed with anthracite coal and Dolomite (Yanque ore)
- Waelz rotary kiln process, cooling and fume capture in a baghouse.

#### Hydrometallurgy:

- Fume dehalogenated by a hydrometallurgical process.
- Neutral and acid leaching of dehalogenated oxide fume.
- Cold and hot purification of the impure solution of zinc sulphate solution
- Electrowinning of the pure zinc sulphate solution in a tank house and stripping to obtain zinc cathodes
- Smelting and casting to produce refined zinc slabs of SHG quality of 99.99 % purity and a by-product a lead sulphate residue (51% Pb).
- Melting and casting of zinc sheets to obtain refined zinc slabs
- Dewatering and dispatch (or in-pond storage) of lead sulphate residue by-product.
- The process developed for the Fume Case is fundamentally the same as the Base Case except for two differences:
  - The hydrometallurgical metal production restriction is removed. The production limit was based on maximum production capacity of the kilns
  - Dehalogenation (alkaline leach) will be done at the pyrometallurgical plant.

Accha and Yanque run-of-mine (ROM) material will be delivered from Accha by 30t or from Yanque by 35 t trucks. The ROM feed will be campaign-crushed. The crushing plant will process 3,683 t/d at an average throughput rate of 232 t/h, providing 67% availability per day. ROM material will either be discharged into a 270 t dump hopper (five truck capacity), or to a drying storage area. The primary crusher discharge will be conveyed to a double-deck banana screen. The screen oversize material >11 mm will pass through the secondary cone crusher before dropping on the tertiary feed conveyor. The fine ore passing through the screen and the material passing through the secondary crushing will be conveyed to a vibrating double-deck screen feeding the tertiary crusher. The vibrating double deck screen receiving material from secondary crushing will discharge oversize to a tertiary vertical impact crusher. The tertiary crusher discharge will recycle back to the tertiary feed vibrating screen. Fine undersize material from the vibrating double deck screen will be conveyed by bucket elevator and conveyor to the fine material storage silos. Separate storage silos will be provided for Yanque and Accha fine material.

Crushed fine feed will be fed to the pyrometallurgical plant at total feed rate of 176 t/h; based on three separate kiln lines. The two dedicated lines for Yanque will process 102 t/h and the Accha line will be processing 74 t/h. Anthracite coal that will range in size from 3.5–6.5 mm will be delivered to the plant, stockpiled and then conveyed to hopper silos of 300 m<sup>3</sup> and 700 m<sup>3</sup> capacity. The Accha fine material will be blended with anthracite coal by means of a helical mixer before entering the rotary kilns, while the Yanque fine material will be blended with coal and dolomite by means of two helical mixers before entering the rotary kiln.

The processes which will occur inside the rotary kiln are: mineral drying, reduction of oxides, carbonates, and silicates, then vaporization of metals such as zinc, lead, cadmium together with halogens such as chlorine and fluorine, and finally oxidation of metal vapours to oxide fume in the flow of air which will be supplied. The gas stream, which will exit the rotary kilns, will consist mainly of zinc and lead oxide fume. A screw conveyor will collect the hot fume and will convey it to a fume storage hopper. It is estimated that 10–15% of the fume produced will be recovered in this stage. Hot gas from each kiln will be cooled by a gas cooler, reducing the outgoing fume temperature to a maximum of 200°C. The fume will then be sent to its corresponding bag house for final fume recovery.

The three rotary kiln furnaces will produce on average 93 t/h of slag. The furnace slag will also contain some un-reacted coarse anthracite. Slag will be cooled in a slag sump and then a screw conveyor will be used to transport the slag into a slag pile from where it will be trucked to a slag storage facility.

Hopper trucks of 30 t capacity will transport fume from the pyrometallurgical facilities to the coastal refinery facilities that will be located close to the port of Ilo. Trucks will discharge to a 1,500 m<sup>3</sup> underground silo. Dehalogenation (Cl and F removal) will be achieved using an alkaline wash stage at 50°C prior to processing the fume by acid leach digestion. The filter discharge cake (16.1 t/h) will be reslurried and pumped to a neutral leach stage. Neutral leaching will be a continuous process. The neutral leach residue will mainly be lead sulphate with a minor zinc content.

The impure zinc sulphate solution produced in the neutral leach stage will be pumped to the purification plant to remove impurities such as cadmium, arsenic and antimony. Filtered solution from the purification filters will undergo a polishing purification stage. Purified solution will be sent to an electrowinning plant which will operate with an availability of 97% and produce zinc cathode. Cathodes will be loaded to an 800 kW electric induction furnace to produce refined zinc quality ingots which will be Special High Grade (SHG) 99.99%.

Additional water (156 m<sup>3</sup>/day) will be needed in order to cover process water requirement for the dehalogenation process. With current water availability information, there is sufficient water in the area to meet this extra demand. Fume will be transported directly to the port at Ilo/Matarani for exportation.

The level of automation in the plants is expected to be in line with industry standards.

The average annual power consumption for the pyrometallurgical plant is estimated at 39 MW/a while the power consumption at the hydrometallurgical plant is estimated at 208 MW/a. The high power consumption for the hydrometallurgical plant is mainly to supply the electrolytic process.

Anthracite consumption for the Base Case is estimated to be 227,842 t/a, which is slightly higher than that of the Fume Case requirement of 225,825 t/a. The anthracite consumption estimates in the 2013 PFS are based on an anthracite/zinc ratio in the kiln feed of 2.7 and 2.3 for Accha and Yanque respectively, and have been determined by testwork.

In the opinion of the author of the 2013 PFS, the test work indicates that the Base Case and Fume Case process flow sheets are viable options for recovering zinc and lead from the Accha and Yanque deposits. The conceptual-level process design adequately defines the Project flow sheets, process equipment, operation, and water, power and anthracite consumption for use in the 2013 PFS and supports the mineral reserve estimates.

### **Capital Cost Estimate**

The 2013 PFS capital cost estimate is considered to be a Class 4 estimate in accordance with the Association for the Advancement of Cost Engineers (AACE) capital cost estimate definitions. The accuracy of the capital cost estimate for this study, taking into account the current state of design and procurement, is considered to be within ±20% of final project costs. The level of definition is in the range of 1% to 15% and engineering completion is within a range of 1–5%.

Capital costs for surface facilities include the detail design, furnishing and the construction / installation of all structures, utilities, materials, and equipment as well as all associated indirect and management costs. The capital costs include contractor and engineering support for commissioning of the facilities to ensure all systems are operational. At the point of handover of the plant to the operations group, all operational costs including ramp-up to full production are considered operations cost. Costs were estimated for both the Base Case and Fume Case. In the Fume Case the dehalogenation circuit is incorporated into the Pyrometallurgical facilities at the mine site.

The total initial capital cost for the Project considering an outsourced strategy of mining operation is summarized in the table below.

### Total Capital Cost Summary – US\$ M

Description	Base Case (US \$M)	Fume Case (US \$M)
Mining Direct Costs		
Pre-Strip and pioneering	10.9	10.9
Process Plant Direct Costs		
Mine infrastructure	6.9	6.9
Site development	4.5	4.1
Pyrometallurgical process plant	69.5	80.5
Hydrometallurgical refinery	79.9	0.0
Site utilities	15.4	9.2
Ancillary building	13.9	7.5
Waste storage facilities	7.5	7.5
Off project boundary services	20.1	15.4
<b>Sub-Total Direct Mining Costs</b>	<b>228.6</b>	<b>142.0</b>
Indirect costs		
Indirect capital	62.0	39.3
Owner's cost	11.4	7.1
Contingency – plant (20% of plant direct costs)	43.5	26.2
<b>Sub-Total Indirect Costs</b>	<b>116.9</b>	<b>72.5</b>
<b>Total Project Costs</b>	<b>345.5</b>	<b>214.5</b>

- (1) Mining equipment is considered to be part of the contractor supply and is included as part of the operational costs. Infrastructure for the mine is included in the capital costs
- (2) Project indirect costs for mining pre-strip and pioneering roads are included in the capital cost and are not broken out in the table as a line item.
- (3) Dehalogenation of the fume will be carried out using hydrometallurgical facilities in the Base Case and pyrometallurgical facilities in the Fume Case.
- (4) Contingency is based on an assumed 20% of direct costs.
- (5) Owner's costs are based on an assumed 10% of direct costs.
- (6) Currency Exchange Rates used were \$1USD = 2.78 Peruvian Nuevo Sol
- (7) Estimate is based on 2nd Qtr. 2013
- (8) Taxes not included
- (9) Costs have been rounded

### Operating Cost Estimate

Mining operating cost estimates per tonne for Accha and Yanque open pits and Accha underground are US\$4.57/t and US\$64.74/t respectively for the Base Case and US\$4.18/t and US\$64.15/t for the Fume Case.

Accha ore haulage cost are affected by the 60km haul between the Accha mine site and the Yanque pyrometallurgical facility. Transport costs are approximately US\$ 9.66 /t for Accha Open pit and US\$ 11.3 /t for underground operation.

The process operating cost on a per tonne basis for the Base Case and the Fume Case over the life of mine is US\$50.58/t and US\$35.97/t respectively. .

Operating costs for the Base Case and for the Fume Case are presented in the tables below.

#### **Operating Cost Summary (Base Case)**

Area	Mined (US\$/t)	Processed (US\$/t)
O/P Mining Cost (Accha & Yanque)	4.57	11.70
U/G Mining Cost (Accha)	64.74*	64.70
Processing – Pyrometallurgy Treatment		33.00
Processing - Hydrometallurgical Treatment		17.50
<b>Total Processing</b>		<b>50.50</b>
<b>Total G&amp;A</b>		<b>4.90</b>

\* In U/G the material mined corresponds to mineralized material processed

Tables are subject to rounding

### **Operating Cost Summary (Fume Case)**

<b>Area</b>	<b>Mined US\$/t</b>	<b>Processed US\$/t</b>
O/P Mining Cost (Accha & Yanque)	4.18	10.80
U/G Mining Cost (Accha)	66.15*	66.10
Processing – Pyrometallurgical Treatment		32.80
Processing – Dehalogenation		3.20
<b>Total Processing</b>		<b>36.00</b>
<b>Total G&amp;A</b>		<b>3.70</b>

\*Tables are subject to rounding

### **Financial Analysis**

The results of the 2013 PFS economic analysis represent forward-looking information that are subject to a number of known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from those presented here.

Forward-looking statements in the 2013 PFS report include, but are not limited to, statements with respect to future metal prices, the estimation of mineral reserves and mineral resources, metallurgical recoveries, in particular zinc recoveries, concentrate sales contracts, the inability to confirm specific buyers and terms for the Fume product, the timing and amount of estimated future production, costs of production, capital expenditures and any requirements for additional capital, costs and timing of the development of the deposits, permitting time lines, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage.

Additional risk can come from conclusions of economic evaluations; changes in Project parameters as mine and process plans continue to be refined, possible variations in mineral reserves, grade or recovery rates; geotechnical considerations during mining; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; and delays in obtaining additional governmental approvals.

During the development of the 2013 PFS study a number of authorities in the metals market, including Wood Mackenzie, carried out reviews of the saleability and pricing of the potential Project products. Included in these reviews were discussions with smelters and potential purchasers of the products. While there is agreement amongst these sources that prices for these metals will increase in the mid to long term, differences do exist between the price forecasts. In order to establish a not overly-optimistic pricing model that takes into account potential pricing volatility, project sensitivities to pricing fluctuations and the variances in long-range pricing forecasts between reputable sources, an average price based on Wood Mackenzie and World Bank Prices was established.

Metal prices used in the 2013 PFS financial analysis are reported as averages from forecasts from Wood Mackenzie, an acknowledged leader in metals pricing and market terms, and forecasts from the World Bank. Treatment charges, which are a critical factor in the end revenue streams, have been taken from Wood Mackenzie sources. The table below shows the lead and zinc pricing assumptions as used for the financial analysis in the 2013 PFS. Prices used in the table are higher than the three-year moving average price of \$US0.94/lb for zinc and \$US1.01/lb for lead; the effect of differing metal price assumptions on the financial model is provided as part of the project sensitivities in the following tables.

<b>Summary of 2013 PFS Zinc and Lead Price Assumptions</b>										
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Zinc										
US\$/lb	1.36	1.37	1.33	1.22	1.18	1.18	1.18	1.18	1.20	1.20
Lead	1.09	1.08	1.05	1.03	1.03	1.03	1.03	1.03	1.04	1.04

US\$/lb

(1) Wood Mackenzie prices have been taken from that company's June 2013 Metals Market Services

(2) World Bank prices have been taken from the World Bank website and are as at May 2013

(3) Pricing shown for years of planned production only

While lead sulphate residues are traded, overall the market is small and there are wide variations in the quality. Zincore commissioned an independent review of lead sulphate specifications. At Zincore's direction, AMEC has assumed that customers for the lead sulphate product would come from China. Among the market professionals commissioned by Zincore, there was agreement that the Project lead sulphate product would attract standard commercial terms for a bulk lead concentrate. Treatment charges for lead would also be based on standard lead concentrate treatment charges but could draw additional penalties.

The likely fume product market is within China. Specialists and potential purchasers who reviewed the product specification were in agreement that the fume production could be sold under bulk concentrate terms. The bulk concentrate market is small and contracts are agreed on an individual basis over a wide variety of qualities. Consequently, as opposed to zinc concentrates, it is more difficult to define a 'benchmark' contract value. It is now usual for bulk contract terms to be agreed at the same level as the 'benchmark' zinc concentrate contract plus a premium or discount.

In discussions with third parties and specialists, deleterious elements which could draw penalties were noted for the lead sulphate and fume production. However, at this PFS level of Project assessment, no penalties were included in the financial model.

The pyrometallurgical route envisaged for the Project Fume Case encompasses blast furnace (Imperial Smelting Furnace; ISF), electrothermic and vertical retort smelting. ISF smelters are distinguished from electrolytic/electrothermic smelters in that they are able to process bulk concentrates, i.e. low-grade zinc concentrates with elevated lead grades, which is how Zincore Fume Case product would be classified. ISF smelters are being phased out, and there are currently eight operating smelters today with one of these scheduled to close in 2014.

No buyers have been directly approached by Zincore to confirm the assumed levels of payability for lead sulphates and fume, nor do any contracts exist for sale of the products.

A preliminary mine schedule, operating and capital costs estimates were established for the AZOD Project. Two cases were evaluated: a hydrometallurgical option, and Fume Case. The hydrometallurgical case is considered to be the Base Case. This case is based upon the production of refined SHG zinc ingots and a lead sulphate residue by-product.

The economic results are summarized in the tables below. Cash costs are as defined by Wood Mackenzie (formerly Brook Hunt) and are shown as costs per pound of payable zinc for the Base Case and Fume Case respectively.

A sensitivity analysis was performed, taking into account variations in capital costs, operating costs, metal prices, anthracite prices, and grade. The results are shown in the tables below. The results from the analysis showed that the Project sensitivity is (in order from highest to lowest) metal price, grade, operating expenditure, capital expenditure and anthracite prices.

Cash flow models were also prepared considering the current three-year moving average zinc and lead prices and resulted in after tax undiscounted cumulative net cash flows of US\$169.9 M for the Base Case and US\$64.3 M for the Fume Case.

#### Summary of Cash Flow Showing Sensitivities to Discount Rate

	Base Case		Fume Case	
	After-Tax (US\$'000)	Pre-Tax (US\$'000)	After-Tax (US\$'000)	Pre-Tax (US\$'000)
<b>Cumulative net cash flow</b> (undiscounted)	377,268	528,683	243,384	336,980
<b>Net present value (2015)<sup>1</sup></b> Discounted at 5%	217,024	332,216	135,342	205,805

Discounted at 8%	150,123	248,917	91,073	151,221
Discounted at 10%	114,287	203,823	67,617	121,986
Discounted at 12%	84,081	165,472	48,011	97,321
Internal rate of return	20.5%	28.6%	19.2%	26.7%
Payback period (years)	3.8	3.0	3.9	3.2
Total start-up capital		345.5M		214.5M
Total life of mine capital		357.7M		225.9M
Projected life of mine (years)		8.0		9.0

<sup>1</sup>NPV is as of 2015

#### Summary of Cash Costs – Base Case

	Cost per tonne milled (US\$/t)	Cost per pound Zn payable (US\$/lb)
<b>Payable Metal</b>		
Cash costs		
Mining	16.76	0.17
Process	50.50	0.52
G&A	4.91	0.05
Smelter deductions	2.97	0.03
Treatment charges	12.28	0.13
Concentrate transport	2.51	0.03
<b>Sub-total</b>	<b>89.94</b>	<b>0.92</b>
Credits		
Zinc premium	(7.84)	(0.08)
Lead	(50.52)	(0.52)
<b>Sub-total</b>	<b>(58.36)</b>	<b>(0.60)</b>
<b>Adjusted cash costs</b>		
<b>Total</b>	<b>31.58</b>	<b>0.32</b>

#### Summary of Cash Costs – Fume Case

	Cost per tonne milled (US\$/t)	Cost per pound Zn payable (US\$/lb)
<b>Payable Metal</b>		
Cash costs		
Mining	14.53	0.16
Process	36.02	0.39
G&A	3.70	0.04
Smelter deductions	31.41	0.34
Treatment charges	31.58	0.34
Concentrate transport	5.54	0.06
<b>Sub-total</b>	<b>122.78</b>	<b>1.31</b>
Credits		
Zinc premium (not applicable)		
Lead	(57.78)	(0.62)
<b>Sub-total</b>	<b>(57.78)</b>	<b>(0.62)</b>
<b>Adjusted cash costs</b>		
<b>Total</b>	<b>65.00</b>	<b>0.70</b>

#### Summary of Base Case Economic Sensitivity to Changes in Key Variables (After-Tax)

SENSITIVITY OF NPV @ 8% (2015)	Change in Factor (US\$ '000)						
	-30%	-20%	-10%	0%	10%	20%	30%
Capital expenditure	213,943	192,783	171,509	150,123	128,678	107,132	85,573
Operating expenditure	233,379	205,975	178,280	150,123	121,603	92,814	62,670
Metal price	(63,269)	12,252	83,044	150,123	216,251	281,677	346,670
Anthracite price	174,419	166,341	158,234	150,123	141,987	133,806	125,597
Grade	(23,059)	36,395	94,119	150,123	205,635	260,686	315,526

**Summary of Fume Case Economic Sensitivity to Changes in Key Variables (After-Tax)**

SENSITIVITY OF NPV @ 8% (2015)	Change in Factor (US\$ '000)						
	-30%	-20%	-10%	0%	10%	20%	30%
Capital expenditure	131,928	118,337	104,725	91,073	77,380	63,656	49,897
Operating expenditure	159,214	136,783	114,070	91,073	67,806	44,226	20,369
Metal price	(125,567)	(40,995)	29,491	91,073	151,599	211,439	270,774
Anthracite price	116,821	108,269	99,685	91,073	82,406	73,713	64,990
Grade	(73,829)	(12,658)	41,161	91,073	140,576	190,163	239,921

1. Metal prices represent a ±10, 20, and 30% change applied to both to zinc and lead price
2. Grade represents a ±10, 20, and 30% change applied to both zinc and lead grades

**Future Exploration and Development**

A two-phase work program is recommended. The first phase will consist of activities required to support completion of an EIA while the second phase will consist of the completion of the feasibility study. The phases can be conducted concurrently; however, work on the environmental baseline and surface rights in Phase 1 should commence immediately. The intent of the work program is to finalize the EIA and FS in parallel such that both are available to support the permitting process. Estimated costs are provided as a range as Zincore may choose to execute some work internally as opposed to using third-party consultants.

**Recommended AZOD Project Work Plan Budget**

<u>Item</u>	<u>Estimated Cost (US\$ M)</u>
<b><u>Phase 1 Environmental and Permitting</u></b>	
Surface Rights	0.5 – 0.75
Environmental Baseline	1.5 – 2.0
Environmental Impact Basement	0.6 – 0.8
<hr/>	
Subtotal Environmental and Permitting	2.6 – 3.55
<b><u>Phase 2 Feasibility Study</u></b>	
Geotechnical drilling	1.0 - 1.5
Geomechanical Study	0.4 – 0.5
Hydrology/Hydrogeology/Geochemistry Study	0.5 – 0.6
Infrastructure & Hydrolytic Plant	0.2 – 0.3
Mineral Resource Support	0.5 – 0.75
Marketing Studies	0.2 – 0.3
Metallurgical Test Work	0.75 – 1.0
Power Line FS Study	0.3 – 0.4
Haul Road FS Study	0.3 – 0.4
Mine Planning and Design	0.75 – 1.0
Process Design	0.3 – 0.4
Project Management, Engineering & Reporting	4.0 – 4.5
<hr/>	
Subtotal Feasibility Study	9.2 – 11.65
<hr/>	
Estimated Total Cost	11.8 -15.2

Zincore is currently seeking financing or a strategic partner to advance the project.

## DIVIDENDS

The Company has not, since its incorporation, paid any dividends on any of its shares and presently has no intention of paying dividends. The future dividend policy of the Company will be determined by the board of directors of the Company (the "Board of Directors") on the basis of earnings, financial requirements and other relevant factors.

## DESCRIPTION OF CAPITAL STRUCTURE

As at the date of this AIF, the Company has an unlimited number of common shares authorized for issuance, with 38,274,239 common shares issued and outstanding of which 8,314,708 or 21.7% are held by First Quantum.

The holders of common shares of the Company are entitled to one vote per common share at all meetings of shareholders, to receive dividends as and when declared by the directors, and to receive a *pro rata* share of the remaining property and assets of the Company in the event of liquidation, dissolution or winding up of the Company. The common shares have no pre-emptive, redemption, purchase or conversion rights. There are no sinking fund provisions in relation to the common shares and they are not liable to further calls or to assessment by the Company. The Company's Articles provide that the rights and provisions attached to any class of shares may not be modified, amended or varied unless consented to by special resolution passed by a majority of not less than two thirds of the votes cast in person or by proxy by holders of shares of that class.

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

## MARKET FOR SECURITIES

### Trading Price and Volume

The common shares of the Company are traded in Canada on the TSX. The closing price of Zincore's common shares on March 18, 2014 was \$0.145.

The following table sets out the high and low market prices and the volume traded of Zincore's common shares on the TSX from January 1, 2013 to December 31, 2013:

	High Share Price	Low Share Price	Volume
January 2013	0.13	0.09	3,132,066
February 2012	0.115	0.085	1,108,300
March 2012	0.09	0.075	569,070
April 2012	0.085	0.055	865,683
May 2012	0.075	0.05	368,740
June 2012	0.055	0.03	711,650
July 2013	0.06	0.04	763,871
August 26, 2013		1:6 stock spit	
August 2013	0.34	0.04	554,683
September 2013	0.34	0.23	551,580
October 2013	0.255	0.125	473,242
November 2013	0.145	0.09	533,147
December 2013	0.14	0.065	699,263

## DIRECTORS AND OFFICERS

The following table sets forth all current directors and executive officers of the Company (the "Directors and Officers") as of the date of this AIF, with each position and office held by them in the Company and the period of service as such. Each Director's term of office expires at the next annual general meeting of shareholders, anticipated to be held on May 1, 2014.

## Name and Occupation and Security Holdings

Name, Jurisdiction of Residence and Position with the Company	Principal Occupation During the Past Five Years <sup>(1)</sup>	Director Since <sup>(2)</sup>
Jorge Benavides <sup>(7)</sup> Lima Peru <i>President, Chief Executive Officer and Director</i>	Geologist; former senior advisor to the Chairman and Board of Hochschild Mining plc; from 2001 to 2008 held various positions with Hochschild Mining plc, the last position being Senior VP Corporate Development.	June 29, 2009
W. David Black <sup>(3) (6)</sup> Vancouver, BC Canada <i>Director and Chair of the Board</i>	Lawyer (retired), director of Spur Ventures Inc. and Sprott Lending Corp.	December 23, 2005
Roman Friedrich <sup>(4) (5)</sup> Rancho Santa Fe, USA <i>Director</i>	Investment banker. Founder and President of Roman Friedrich and Company, a specialized investment banking firm.	June 29, 2009
Michael Parker <sup>(5) (7)</sup> Kingsley, Australia <i>Director</i>	Acting Manager, South America for First Quantum Minerals Inc.	June 5, 2012
Myron Osatenko <sup>(5) (7) (4)</sup> Delta, BC Canada <i>Director</i>	Consulting geologist, 2001 to present.	May 23, 2006
Giovanni Susin Coquitlam, BC Canada <i>Vice-President and Chief Financial Officer</i>	Chartered Accountant, Vice President, Finance and CFO of Southwestern Resources Corp. and its affiliated public companies from 2007 to 2009; Controller of Southwestern from 2000 to 2007.	N/A
Adam Ho Qualicum Beach, BC Canada <i>Vice-President Corporate Development</i>	Manager, Investor Relations Zincore Metals Inc. 2010-2013, Principle of Adamant Communications Inc. 2006 to present	October 1, 2013

- (1) The information as to residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective Directors and Officers individually.
- (2) Directors serve until the earlier of the next annual general meeting of Company shareholders or the director's resignation.
- (3) Member of the Audit Committee.
- (4) Chair of the Audit Committee.
- (5) Member of the Compensation Committee.
- (6) Member of the Corporate Governance and Nominating Committee.
- (7) Member of the Health, Safety, Environment and Community Committee.

As at the date of this AIF, the Directors and Officers as a group beneficially own, directly or indirectly, or have control or direction over an aggregate 2,244,336 common shares of the Company, representing approximately 5.86% of the issued and outstanding common shares.

## Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company nor a shareholder holding a sufficient number of common shares of the Company to materially affect the control of the Company, nor a personal holding company of any of them,

- (a) is, at the date of this AIF or has been within the 10 years before the date of the AIF, a director or executive officer of the company (including the Company), that while that person was acting in that capacity,
- (i) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
  - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar

- order or an order that denied the relevant company access to any exemption under securities registration, for a period of more than 30 consecutive days; or
- (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager, or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or comprise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

To the knowledge of the Company, no director or executive officer of the Company, nor a shareholder holding a sufficient number of common shares of the Company to affect materially the control of the Company, nor a personal holding company of any of them, has been subject to:

- (a) any penalties or sanctions imposed by the court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interests which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

To the best of the Company's knowledge, there are no known existing or potential conflicts of interest among the Company, its promoters, directors, officers or other members of management of the Company as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. Such directors or officers will disclose all such conflicts in accordance with the *Business Corporations Act* (British Columbia) and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

To the knowledge of the Company, neither the Company nor its subsidiaries is a party to, nor are any of the Company's properties subject to, any pending legal proceedings the outcome of which would have a material adverse effect on the Company.

There are no: (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the Company's most recently completed financial year and up to the date of this AIF; (b) other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or (c) settlement agreements the Company entered into with a court relating to securities legislation or with a securities regulatory authority during the Company's most recently completed financial year and up to the date of this AIF.

## **PROMOTERS**

Zincore does not presently have, and has not within the last two completed financial years had, any promoters.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than the MOU and Earn-In Agreement entered into between the Company and First Quantum, now a 21.7% shareholder of the Company, to the knowledge of the Company, none of the directors, executive officers or shareholders that beneficially own, control or direct, directly or indirectly, more than 10% of the Company's shares, nor any associate or affiliate of the foregoing, has had no material interest, direct or indirect, in any transactions in which the Company has participated within the three most recently completed financial years or in the current financial year prior to the date of this AIF, which has materially affected or is reasonably expected to materially affect the Company.

## **TRANSFER AGENTS AND REGISTRARS**

The Registrar and Transfer Agent for the common shares in British Columbia is Computershare Investor Services Inc., at its offices at 4<sup>th</sup> Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9 and 100 University Avenue, 11th Floor, Toronto, Ontario, M5J 2Y1.

## **MATERIAL CONTRACTS**

Other than in the ordinary course of the Company's business of mineral property evaluation, acquisition and divestiture and exploration, including raising the funds therefor, there are no material contracts that have been entered into by the Company since January 1, 2013 (being the commencement of the Company's most recently completed financial year) that are still in effect and that require filing under Section 12.2 of National Instrument 51-102.

## **NAMES AND INTERESTS OF EXPERTS**

Deloitte LLP are the auditors for the Company. Deloitte LLP provided the independent auditor's report on the Company's consolidated financial statements for the years ended December 31, 2013 and 2012. Deloitte LLP has confirmed that it is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

Stewart Twigg, P. Eng. Project Manager, for AMEC (Perú) S.A., is the overall author of the 2013 PFS and is the Qualified Person, as defined in National Instrument 43-101, responsible for the infrastructure sections in the 2013 PFS report. Mr. Twigg is independent with respect to the Company as described in Section 1.5 of National Instrument 43-101.

Sergio Munoz, CMC, Manager Mining with AMEC (Peru) S.A. is the Qualified Person as defined in National Instrument 43-101 is responsible for the mining open pit and open pit reserves in the 2013 PFS. Mr. Munoz is independent with respect to the Company as described in Section 1.5 of National Instrument 43-101.

Michael Matthew Valenta, Pr. Eng (Int), FSAIMM, founder, managing director and chief consulting metallurgist with Metallicon Process Consulting (Pty) Ltd.. is the Qualified Person, as defined in National Instrument 43-101, responsible for the Metallurgical and Processing sections and the Economic analysis contained in the 2013 PFS. Mr. Valenta is independent with respect to the Company as described in Section 1.5 of National Instrument 43-101.

Vikram Khera, P. Eng. Senior Financial Analyst with AMEC Americas Limited is the Qualified Person as defined in National Instrument 43-101, is responsible for the financial model and analysis contained in the 2013 PFS. Mr. Khera is independent with respect to the Company as described in Section 1.5 of National Instrument 43-101.

William Bagnell P. Eng. Manager Mining with AMEC Americas Limited is the Qualified Person as defined in National Instrument 43-101 is responsible for the mining underground and underground reserves

sections contained in the 2013 PFS. Mr. Bagnell is independent with respect to the Company as described in Section 1.5 of National Instrument 43-101.

Stella Searston, RM SME, Principal Geologist AMEC E&C Services Inc. is a Qualified Person as defined in National Instrument 43-101 is responsible for the geology and resources contained in the 2013 PFS. Ms. Searston is independent with respect to the Company as described in Section 1.5 of National Instrument 43-101.

To the knowledge of the Company, the experts referred to above do not hold, nor have they received, nor will receive any securities or other property in the Company.

#### **AUDIT COMMITTEE INFORMATION**

Information concerning the Audit Committee of the Company, as required by National Instrument 52-110, is provided in Schedule A to this AIF.

#### **ADDITIONAL INFORMATION**

Additional information on the Company, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's information circular for its most recent annual meeting of shareholders.

Additional financial information is provided in the Company's audited financial statements and MD&A for the year ended December 31, 2013 which may be obtained upon request from the Company's head office or may be viewed on the SEDAR website ([www.sedar.com](http://www.sedar.com))

## **SCHEDULE A - INFORMATION CONCERNING THE AUDIT COMMITTEE**

### **AUDIT COMMITTEE CHARTER**

The text of the Audit Committee's Charter is as follows:

#### **Purpose**

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information to be provided to the shareholders and others, the systems of internal controls and management information systems established by management and the Company's internal and external audit process and monitoring compliance with the Company's legal and regulatory requirements with respect to its financial statements.

The Audit Committee is accountable to the Board. In the course of fulfilling its specific responsibilities hereunder, the Audit Committee is expected to maintain an open communication between the Company's external auditors and the Board.

The responsibilities of a member of the Audit Committee are in addition to such member's duties as a member of the Board. Nothing in this Charter, however, is intended to or does confer on any member a higher standard of care or diligence than that which applies to the Directors as a whole.

The Audit Committee does not plan or perform audits or warrant the accuracy or completeness of the Company's financial statements or financial disclosure or compliance with generally accepted accounting procedures as these are the responsibility of management.

#### **Procedural Matters**

The Audit Committee:

- a. meets at least four times per year, either by telephone conference or in person;
- b. invites the Company's external auditors, the Chief Financial Officer, and such other persons as deemed appropriate by the Audit Committee to attend meetings of the Audit Committee;
- c. reports material decisions and actions of the Audit Committee to the Board, together with such recommendations as the Committee may deem appropriate;
- d. has the power to conduct or authorize investigations into any matter within the scope of its responsibilities;
- e. has the right to engage independent counsel and other advisors as it determines necessary to carry out its duties and the right to set the compensation for any advisors employed by the Audit Committee;
- f. has the right to communicate directly with the CFO and other members of management who have responsibility for the internal and external audit process, as well as to communicate directly with the internal and external auditors; and
- g. pre-approves non-audit services to be performed by the external auditors in accordance with the Committee's pre-approval policies and procedures, which pre-approval is subject to ratification by the Board. The Audit Committee may delegate certain pre-approval functions for non-audit services to one or more independent members of its Committee if it first adopts specific policies and procedures respecting same and provided such decisions are presented to the full Audit Committee for approval at its next meeting.

## Responsibilities

### *External Auditors*

The Audit Committee has primary responsibility for the selection, appointment, dismissal, compensation and oversight of the external auditors, subject to the overall approval of the Board. For this purpose, the Audit Committee may consult with management.

The external auditors shall report directly to the Audit Committee.

Also, the Audit Committee:

- a. recommends to the Board:
  - i. whether the current external auditors should be nominated for reappointment for the ensuing year and if the current external auditors are not to be reappointed, select and recommend a suitable alternative for nomination; and
  - ii. the amount of compensation payable to the external auditors;
- b. resolves disagreements, if any, between management and the external auditors regarding financial reporting;
- c. provides the Board with such recommendations and reports with respect to the financial statements of the Company as it deems advisable;
- d. takes reasonable steps to confirm the independence of the external auditors, including but not limited to pre-approving any non-audit related services provided by the external auditors to the Company or the Company's subsidiaries, if any;
- e. confirms that the external auditors are a 'participating audit' firm for the purpose of National Instrument 52-108 *Auditor Oversight* and are in compliance with governing regulations;
- f. reviews and evaluates the performance of the external auditors; and
- g. reviews and approves the Company's hiring policy regarding partners, employees and former partners and employees of the Company's external auditors.

### *Audit and Review Process and Results*

The Audit Committee has a duty to receive, review and make any inquiry regarding the completeness, accuracy and presentation of the Company's financial statements to ensure that the financial statements fairly present the financial position and risks of the organization and that they are prepared in accordance with generally accepted accounting principles. To accomplish this, the Audit Committee:

- a. considers the scope and general extent of the external auditors' review, including their engagement letter and major changes to the Company's auditing and accounting principles and practices;
- b. consults with management regarding the sufficiency of the Company's internal system of audit and financial controls, internal audit procedures and results of such audits;
- c. ensures the external auditors have full, unrestricted access to required information and have the cooperation of management;
- d. reviews with the external auditors the audit process and standards, as well as regulatory or Company-initiated changes in accounting practices and policies and the financial impact thereof, and selection or application of appropriate accounting principles;
- e. reviews with the external auditors and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Company and the manner in which these matters are being disclosed in the financial statements;
- f. reviews the appropriateness and disclosure of any off-balance sheet matters;
- g. reviews disclosure of related-party transactions;

- h. receives and reviews with the external auditors, the external auditors' audit report and the audited financial statements;
- i. makes recommendations to the Board respecting approval of the audited financial statements;
- j. meets with the external auditors separately from management to review the integrity of the Company's financial reporting, including the clarity of financial disclosure and the degree of conservatism or aggressiveness of the accounting policies and estimates, any significant disagreements or difficulties in obtaining information, adequacy of internal controls over financial reporting, adequacy of disclosure controls and procedures, and the degree of compliance by the Company with prior recommendations of the external auditors; and
- k. directs management to implement such changes as the Audit Committee considers appropriate, subject to any required approvals of the Board arising out of the review.

#### *Interim Financial Statements*

The Audit Committee:

- a. reviews on an annual basis the Company's practice with respect to review of interim financial statements by the external auditors;
- b. conducts all such reviews and discussions with the external auditors and management as it deems appropriate;
- c. reviews the interim financial statements with the external auditors as it deems appropriate; and
- d. makes recommendations to the Board respecting approval of the interim financial statements.

#### *Involvement with Management*

The Audit Committee has primary responsibility for overseeing the actions of management in all aspects of financial management and reporting. The Audit Committee:

- a. reviews the Company's annual and interim financial statements, Management's Discussion and Analysis and earnings press releases, if any, before the Company publicly discloses this information;
- b. reviews all of the Company's public disclosure of financial information extracted from the Company's financial statements, if such financial statements have not previously been reviewed by the Committee, prior to such information being made public by the Company and for such purpose, the CFO assumes responsibility for providing the information to the Audit Committee for its review;
- c. reviews material financial risks with management, the plan that management has implemented to monitor and deal with such risks and the success of management in following the plan;
- d. consults annually and otherwise as required with the Company's CEO and CFO respecting the adequacy of the internal controls over financial reporting and disclosure controls and procedures and reviews any breaches or deficiencies;
- e. obtains such certifications of annual and interim filings by the CEO and CFO attesting to internal controls over financial reporting and disclosure controls and procedures as deemed advisable;
- f. reviews management's response to significant written reports and recommendations issued by the external auditors and the extent to which such recommendations have been implemented by management;
- g. reviews as required with management the annual financial statements, the quarterly financial statements, Management's Discussion and Analysis, Annual Information Forms, future-oriented financial information or pro-forma information and other financial disclosure in continuous disclosure documents;
- h. reviews with management the Company's compliance with applicable laws and regulations respecting financial reporting matters;
- i. reviews with management proposed regulatory changes and their impact on the Company; and
- j. reviews as required with management and approves disclosure of the Audit Committee Charter, and Audit Committee disclosure required in the Company's Annual Information Form, Information Circular and on the Company's website.

## **COMPOSITION OF AUDIT COMMITTEE**

The Audit Committee is composed of a minimum of three Directors, all of whom are Directors who are not officers or employees of the Company or any of its subsidiaries.

In addition, members of the Audit Committee meet the prescribed independence, financial literacy and experience requirements and have relevant skills and/or experience in the Committee's areas of responsibility as required by the securities laws applicable to the Company, including those of any stock exchange on which the Company's securities are traded.

### *Appointment of Committee Members*

Members of the Committee are appointed or confirmed by the Board annually and hold office at the pleasure of the Board.

### *Vacancies*

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board. The Board fills any vacancy if the membership of the Committee is less than the minimum requirement number of Directors required for the Committee.

### *Committee Chair*

The Board appoints a Chair for the Audit Committee.

## **Structure and Operations**

### *Absence of Committee Chair*

If the Chair of a Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present at the meeting will be chosen by the Committee to preside at the meeting.

### *Secretary of Committee*

At each meeting the Committee appoints a secretary who need not be a director of the Company.

### *Meetings*

The Chair of the Committee or the Chair of the Board or any two of its members may call a meeting of the Committee.

### *Quorum*

A majority of the members appointed to the Committee constitutes a quorum.

### *Notice of Meetings*

The Chair of the Committee arranges to provide notice of the time and place of every meeting in writing (including by facsimile) to each member of a Committee at least 24 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. The Chair also ensures that an agenda for the meeting and all required

materials for review by the members of the Committee are delivered to the members with sufficient time for their review, or that such requirement is waived.

#### *Attendance of the Company's Officers at Meetings*

The Chair of the Committee or any two members of the Committee may invite one or more officers of the Company to attend any meeting of the Committee.

#### *Delegation*

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee, management or, to the extent otherwise permitted by applicable plans, laws or regulations, to any other body or individual.

#### *Procedure and Records*

Subject to any statute or constating documents of the Company, the Committee determines its own procedures at meetings and may conduct meetings by telephone and will keep records of its proceedings.

#### *Complaints*

The Audit Committee has established procedures for:

- a. the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
- b. the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Complaints regarding accounting, internal accounting controls, or auditing matters may be submitted as outlined in the Company's Policy for the Submission of Confidential and Anonymous Complaints or Concerns Regarding Accounting and Financial Matters, Safety and Environmental Matters, Company and Regulatory Policies or Personal Conduct (the "Whistle Blower Policy"). Complaints may be made anonymously and, if not made anonymously, the identity of the person submitting the complaint is kept confidential.

Upon receipt of a complaint, the Chair conducts or designates a member of the Audit Committee to conduct an initial investigation. The results of that initial investigation are brought before the Audit Committee for a determination of further investigation and action.

Records of complaints made and the resulting action or determination with respect to the complaint are documented and kept in the records of the Audit Committee for a period of three years.

The Audit Committee reviews the Whistle Blower Policy annually.

#### **Reporting and Assessment**

The Audit Committee reports to the Board of Directors.

The Audit Committee reviews its Charter and conducts an assessment of its performance, and the performance of the Committee Chair, on an annual basis. The Committee reports to the Corporate Governance and Nominating Committee the results of such review and assessment, including any recommendations for change (the "Committee Annual Assessment Report").

## Effective Date

This Charter was implemented by the Board in May 2007.

## COMPOSITION OF AUDIT COMMITTEE

The Audit Committee is composed of directors of the Company, Roman Friedrich (Chair), David Black and Myron Osatenko, all of whom have the expertise to understand and evaluate financial statements that are prepared using Interantional Financial Reporting Standards, the principles applied to natural resource companies' financial statements and the internal controls required to accurately report the Company's financial position. The Board of Directors has determined that all members of the Audit Committee are "independent" and "financially literate" as defined in National Instrument 52-110.

## RELEVANT EDUCATION AND EXPERIENCE

Roman Friedrich is an investment banker, and formerly a commercial banker, to the mining and metals industries and currently serves on the boards of other public companies. Over his career, in excess of thirty years, Mr. Friedrich has provided advice on acquisitions, mergers and divestitures, debt and equity funding and project finance to numerous companies in the mining and metals industries.

David Black is a retired lawyer who has advised public companies for many years, and has the ability to read and understand financial statements of companies in the exploration and mining industries.

Myron Osatenko is a geologist who has served on the Company's board of directors since its inception and has the ability to read and understand financial statements of companies in the exploration and mining industries.

## PRE-APPROVAL POLICIES AND PROCEDURES

The policies and procedures for the engagement of non-audit services are outlined above in this Schedule A under "Charter – Responsibilities – External Auditors (d)".

## SERVICE FEES PAID TO EXTERNAL AUDITORS

	Year ended December 31, 2013	Year ended December 31, 2011
a) Audit Fees	\$49,610 <sup>(1)</sup>	\$99,495 <sup>(1)</sup>
b) All other Fees	\$11,750 <sup>(2)</sup>	\$23,890 <sup>(2)</sup>
	<u>\$61,360</u>	<u>\$123,385</u>

<sup>(1)</sup> Audit and review engagement fees. Fees relating to fiscal year end audit are invoiced in the following year.

<sup>(2)</sup> Related primarily to preparation of annual tax filings.

All of the fees paid to external auditors were pre-approved by the Audit Committee.