Kincora Copper Limited

(An Exploration Stage Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Expressed in Canadian Dollars

(Unaudited - Prepared by Management)

For the nine-month period ended September 30, 2019

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by and the Chartered Professional Accountants of Canada for a review of the interim consolidated financial statements by an entity's auditor.

Kincora Copper Limited

(An Exploration Stage Company)

Interim Condensed Consolidated Statements of Financial Position

As at,

(Figures in tables are expressed in thousands of Canadian dollars)

(Unaudited - Prepared by Management)

		September 30, 2019		December 31, 2018
ASSETS				
Current				
Cash and cash equivalents	**$**	**2,904**	$	937
Funds held in Trust (Note 7)		**1,600**		-
Receivables, prepaids and deposits		**182**		112
		4,686		1,049
Equipment (Note 11)		**215**		211
Exploration and evaluation assets (Note 6)		**52,549**		51,186
	$	**57,450**	$	52,446
LIABILITIES				
Current				
Accounts payable (Note 9)	**$**	**701**	$	711
Accrued liabilities		**25**		25
		726		736
SHAREHOLDERS' EQUITY				
Share capital (Note 7)		**171,173**		166,464
Share-based payment reserve (Note 7)		**11,630**		9,892
Deficit		**(126,079)**		(124,646)
		56,724		51,710
	$	**57,450**	$	52,446

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 12)
Subsequent Events (Note 13)

Approved and authorized by the Board of Directors on November 29, 2019

"Ray Nadarajah"	*"Sam Spring"*
Ray Nadarajah	Sam Spring
Director	Director

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Kincora Copper Limited

Statement 2

(An Exploration Stage Company)

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
For the,

(Figures in tables are expressed in thousands of Canadian dollars, except per share amounts)
(Unaudited – Prepared by Management)

	Three-month period ended September 30, 2019	Three-month period ended September 30, 2018	**Nine-month period ended September 30, 2019**	Nine-month period ended September 30, 2018
Expenses				
Consultants	$ 36	$ 28	$ 108	$ 69
Consultants – Geologists (recovery) (Note 9)	(11)	139	18	221
Consultants – Technical	21	41	65	122
Corporate administrative and office services (Note 9)	91	100	196	233
Directors and audit committee fees (Note 9)	79	35	183	156
Foreign exchange loss (gain)	(30)	7	(39)	98
Insurance	5	6	11	14
Investor relations	32	27	118	71
Legal and accounting	69	27	151	91
Management fees (Note 9)	199	71	474	214
Share-based compensation (Notes 7 and 9)	23	64	85	184
Transfer agent and filing fees	12	10	46	34
Travel	4	22	42	61
	530	577	**1,458**	1,568
Other items				
Gain on sale of assets (Note 11)	**-**	-	**-**	(19)
Loss (Gain) on settlement of debt (Note 7)	**-**	6	**(25)**	(41)
Loss on impairment of exploration and evaluation assets (Note 6)	**-**	-	**-**	81
Loss and comprehensive loss for the period	**$ 530**	$ 583	**$ 1,433**	$ 1,589
Loss per share – basic and diluted	**$ 0.00**	$ 0.01	**$ 0.02**	$ 0.02
Weighted average number of common shares outstanding (*000's*)	**138,755**	69,628	**93,799**	69,248

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Kincora Copper Limited

(An Exploration Stage Company)

Interim Condensed Consolidated Statements of Cash Flows

For the nine-month period ended September 30,

(Figures in tables are expressed in thousands of Canadian dollars)

(Unaudited - Prepared by Management)

Cash provided by (used in):		**2019**		2018
Operating activities				
Loss for the period:	**$**	**(1,433)**	$	(1,589)
Items not affected by cash:				
Amortization		**335**		275
Gain on settlement of debt		**(25)**		(41)
Share-based compensation		**85**		184
Issuance of bonus shares		**124**		-
Changes in non-cash working capital items:				
Receivables, prepaids and deposits		**(70)**		106
Accounts payable and accrued liabilities		**172**		276
Net cash used in operating activities		**(812)**		(789)
Investing activities				
Acquisition of equipment		**(172)**		(191)
Exploration and evaluation asset expenditures		**(1,530)**		(831)
Net cash used in investing activities		**(1,702)**		(1,022)
Financing activity				
Proceeds from private placement, net of issue costs		**4,481**		**-**
Net cash provided by financing activity		**4,481**		**-**
Change in cash and cash equivalents		**1,967**		(1,811)
Cash and cash equivalents – beginning of period		**937**		3,277
Cash and cash equivalents – end of period	**$**	**2,904**	$	1,466

Supplemental Disclosure of Cash Flow Information (Note 10)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Kincora Copper Limited

(An Exploration Stage Company)

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

As at September 30, 2019 and 2018

(Figures in tables are expressed in thousands of Canadian dollars, except number of share amounts)

(Unaudited - Prepared by Management)

	Share capital (Number of shares)	Share capital $	Share-based payment reserve $	Deficit $	Total $
Balance, December 31, 2017	68,854,222	166,269	9,790	(122,329)	53,730
Shares issued for settlement of debt	1,166,278	182	-	-	182
Share-based compensation	-	-	184	-	184
Loss for the period	-	-	-	(1,589)	(1,589)
Balance, September 30, 2018	**70,020,500**	**166,451**	**9,974**	**(123,918)**	**52,507**
Balance, December 31, 2018	70,091,059	166,464	9,892	(124,646)	51,710
Shares issued for private placement, net	62,515,000	4,428	1,653	-	6,081
Shares issued for settlement of debt	1,348,789	157	-	-	157
Bonus shares issued	1,037,376	124	-	-	124
Share-based compensation	-	-	85	-	85
Loss for the period	-	-	-	(1,433)	(1,433)
Balance, September 30, 2019	**134,992,224**	**171,173**	**11,630**	**(126,079)**	**56,724**

(See Note 7)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. Nature of Operations and Going Concern

Kincora Copper Limited ("the Company") was incorporated in British Columbia on September 24, 1983. The Company is engaged in the acquisition and exploration of exploration and evaluation assets. The Company's shares are listed on the TSX-Venture Exchange ("TSXV").

The head office of the Company is located at Suite #400 - 837 West Hastings Street, Vancouver, British Columbia V6C 3N6 and the registered address and records office is located at 25th Floor, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1D3.

These interim condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company continues to incur operating losses, has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its exploration and evaluation assets projects. These material uncertainties may cast a significant doubt on the validity of this assumption.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to continue operations. As at September 30, 2019, the Company has an accumulated deficit of $126,079,000, a net loss for the nine-month period ended September 30, 2019 of $1,433,000 and has working capital of $3,960,000. If the going concern assumption was not appropriate for these interim condensed consolidated financial statements, adjustments would be necessary in the carrying values of assets, liabilities, reported income and expenses and the statement of financial position classifications used. Such adjustments could be material.

2. Basis of Preparation

Statement of Compliance

These unaudited interim condensed consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

These interim condensed consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). They have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these interim condensed consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2018 prepared in accordance with IFRS applicable to annual consolidated financial statements.

2. Basis of Preparation – *continued*

Critical Accounting Estimates

The preparation of these interim condensed consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position based on the planned exploration budgets and drill results of exploration programs;
- The inputs used in accounting for share-based compensation expense included in profit or loss calculated using the Black-Scholes Option Pricing Model;
- The valuations of shares issued in non-cash transactions using the quoted share price as the fair value-based measurement on the date the shares are issued for the transaction; and
- The recognition of deferred tax assets based on the change in unrecognized deductible temporary tax differences.

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3. Significant Accounting Policies

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Kincora Group Ltd ("KGL"), Nadmin LLC ("Nadmin"), Golden Grouse LLC ("Golden Grouse"), BSG Investments Inc. ("BSGII"), Game Creek Company Limited ("Game Creek"), Samsul Mineração Ltda. ("Samsul") and Kincora Copper Australia Pty Ltd. Inter-company balances and transactions are eliminated on consolidation. BSGII, Game Creek and KGL are British Virgin Island incorporated companies. Nadmin and Golden Grouse are incorporated in Mongolia. Samsul is incorporated in Brazil. Kincora Copper Australia Pty Ltd was incorporated in Australia during the last quarter.

b) Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes Option Pricing Model, and is recognized over the vesting period. A corresponding increase in share-based payment reserve is recorded when stock options are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion of share-based compensation previously recorded in share-based payment reserve. Share-based compensation arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

3. Significant Accounting Policies – *continued*

c) Cash and cash equivalents

Cash equivalents consist of highly liquid investments that are readily convertible into cash with maturities of three-months or less when purchased.

d) Exploration and evaluation assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

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

e) Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. In calculating the diluted loss per share, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

3. Significant Accounting Policies – *continued*

f) Equipment

Equipment is carried at cost less amortization and amounts written-off. The assets residual value, amortization methods and useful lives are reviewed, and adjusted, if appropriate, at each reporting date. Amortization is provided for over the estimated lives of the related assets based on annual rates as follows:

Exploration equipment	10 Years - Straight-line
Computers	10 Years - Straight-line

g) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

h) Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries for the nine-month period ended September 30, 2019 and year ended December 31, 2018 is the Canadian Dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates* ("IAS 21").

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the statements of comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Company's presentation currency is the Canadian dollar ("$").

3. Significant Accounting Policies – *continued*

i) Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as exploration and evaluation assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes would be recorded directly to exploration and evaluation assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, would be charged to profit or loss for the period. At September 30, 2019 and December 31, 2018, the Company had no provisions for environmental rehabilitation.

j) Impairment of assets

The carrying amount of the Company's long-lived assets (which includes equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount is the greater of an asset's fair value, less cost to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows, largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

3. Significant Accounting Policies – *continued*

k) Change in accounting policies – Financial Instruments

The Company has adopted all of the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

<u>Classification</u>

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	**Original classification IAS 39**	**New classification IFRS 9**
Cash and cash equivalents	Amortized cost	Amortized cost
Receivables	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on January 1, 2018.

<u>Measurement</u>

Financial assets at FVTOCI
Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

3. Significant Accounting Policies – *continued*

k) Change in accounting policies – Financial Instruments – *continued*

Measurement – *continued*

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recorded in the statements of comprehensive loss in the period in which they arise.

Fair value measurement disclosure includes classification of financial instrument fair values in a hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair values of the Company's cash and cash equivalents constitutes a Level 1 fair value measurement. The fair value of the Company's receivables and accounts payable approximate the carrying value due to their short-term nature.

Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. Significant Accounting Policies – *continued*

k) Change in accounting policies – Financial Instruments – *continued*

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

4. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to commence the development of its exploration and evaluation assets and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares. Further information relating to liquidity risk is disclosed in Note 5. In the management of capital, the Company includes the components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and cash equivalents. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of three months or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company is uncertain as to whether its current capital resources will be sufficient to carry its exploration plans and operations through its current operating period and, accordingly, management is reviewing the timing and scope of current exploration plans and is also pursuing other financing alternatives to fund the Company's operations. There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

5. Management of Financial Risk

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is periodically exposed to interest rate risk on its cash equivalents as these instruments are exposed to interest rate fluctuations on renewal. Management has assessed this risk as low.

Currency risk

Currency risk is the risk that the fair values of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's operations are focused on Mongolia, where many exploration and administrative expenses are incurred in the Mongolian Tugrik and the US Dollar. The Company's ability to advance funds to Mongolia is subject to changes in the valuation of the Tugrik and the US dollar as well as rules and regulations of the Mongolian government. Fluctuations in the value of the Tugrik and the US dollar may have an adverse effect on the operations and operating costs of the Company. The Company does hold balances in foreign currencies, Mongolian Tugrik and United States dollar, to give rise to exposure to foreign exchange risk. Management believes this risk to be minimal.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and Mongolia. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company has secondary exposure to credit risk on its receivables. This risk is minimal as receivables consist primarily of refundable goods and services taxes.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations.

As at September 30, 2019, the Company had a cash balance of $2,904,000 (December 31, 2018 - $937,000), with a further $1,600,000 held in trust, to settle current liabilities of $726,000 (December 31, 2018 - $736,000).

Historically, the Company's sole source of funding has been the issuance of equity and debt financing. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant financing. Liquidity risk is assessed as high.

5. Management of Financial Risk – *continued*

Commodity price risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market prices of copper and gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Fraud risk

Fraud risk is the vulnerability that the Company faces from entities capable of intentional misconduct because of pressure, opportunity and rationalization. Fraud risk comes from sources both internal and external to the Company. The Company closely monitors its operations to determine the appropriate course of action to be taken.

6. Exploration and Evaluation Assets

Exploration and evaluation assets – Mongolia – Bronze Fox

The Company acquired a 100% interest in the shares of KGL in consideration for $35,882,000 in cash, common shares and warrants. KGL holds title to the Bronze Fox copper/gold project in Mongolia.

As at September 30, 2019, the exploration and evaluation assets expenditures incurred on the property to date include the following *(000's):*

	Balance – December 31, 2018	Exploration additions	**Balance – September 30, 2019**
Acquisition	$ 2,524	$ -	**$ 2,524**
Assay	1,325	28	**1,353**
Camp	527	19	**546**
Amortization (Note 11)	417	92	**509**
Drilling	7,143	322	**7,465**
Environmental	2	-	**2**
Fuel	63	-	**63**
Geological/geophysics	1,023	1	**1,024**
License/fees/taxes	62	-	**62**
Management and planning	10	-	**10**
Meals and entertainment	1	-	**1**
Rental/utilities	231	3	**234**
Salaries	828	82	**910**
Sampling	61	55	**116**
Supplies/safety gear	153	6	**159**
Transportation/travel	105	4	**109**
	14,475	612	**15,087**
RTO Acquisition of Bronze Fox	34,100	-	**34,100**
Total	$ 48,575	$ 612	**$ 49,187**

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets – *continued*

Exploration and evaluation assets - Mongolia - Bronze Fox - continued

		Balance – December 31, 2017		Exploration additions		**Balance – September 30, 2018**
Acquisition	$	2,524	$	-	**$**	**2,524**
Assay		1,310		15		**1,325**
Camp		513		9		**522**
Amortization (Note 11)		319		64		**383**
Drilling		7,143		-		**7,143**
Environmental		2		-		**2**
Fuel		63		-		**63**
Geological/geophysics		696		22		**718**
License/fees/taxes		18		-		**18**
Management and planning		10		-		**10**
Meals and entertainment		1		-		**1**
Rental/utilities		224		1		**225**
Salaries		716		76		**792**
Sampling		61		-		**61**
Supplies/safety gear		109		44		**153**
Transportation/travel		96		7		**103**
		13,805		238		**14,043**
RTO Acquisition of Bronze Fox		34,100		-		**34,100**
Total	$	47,905	$	238	**$**	**48,143**

Exploration and evaluation assets – Mongolia – Golden Grouse

On April 18, 2012, the Company acquired a 100% interest in Golden Grouse from the optionor, Temujin Mining Corp. ("Temujin"), which held two mineral exploration licenses adjoining the Company's Bronze Fox project in Mongolia.

On October 28, 2016, the Company obtained seven mineral exploration licenses and two new license applications in mergers with IBEX Land Mongolia LLC ("IBEX Land") and IBEX Mongolia LLC ("IBEX"). The fair value in excess of the net assets of IBEX Land and IBEX was allocated to Bronze Fox ($742,000) and Golden Grouse ($1,094,000).

6. Exploration and Evaluation Assets – *continued*

Exploration and evaluation assets – Mongolia – Golden Grouse - continued

As at September 30, 2019, the exploration and evaluation assets expenditures incurred on the property to date include the following *(000's):*

	Balance – December 31, 2018	Exploration additions	**Balance – September 30, 2019**
Acquisition	$ 1,094	$ -	**$ 1,094**
Amortization (Note 11)	210	75	**285**
Assay	28	26	**54**
Camp	-	24	**24**
Drilling	567	334	**901**
Fuel	-	8	**8**
Geological/geophysics	266	-	**266**
Labour	602	218	**820**
License/fees/taxes	229	13	**242**
Mapping recovery	(21)	-	**(21)**
Meals and entertainment	50	-	**50**
Rental	48	28	**76**
Supplies/safety gear	81	4	**85**
Repairs and maintenance	19	-	**19**
Transportation	155	15	**170**
Impairment	(723)	-	**(723)**
Utilities	6	6	**12**
Total	$ 2,611	$ 751	**$ 3,362**

	Balance – December 31, 2017	Exploration additions	**Balance – September 30, 2018**
Acquisition	$ 1,094	$ -	**$ 1,094**
Amortization (Note 11)	192	14	**206**
Assay	25	4	**29**
Drilling	567	-	**567**
Geological/geophysics	152	54	**206**
Labour	244	265	**509**
Licenses/fees/taxes	5	202	**207**
Mapping recovery	(21)	-	**(21)**
Meals and entertainment	33	15	**48**
Rental	32	12	**44**
Supplies/safety gear	44	34	**78**
Repairs and maintenance	19	-	**19**
Transportation	86	74	**160**
Impairment	(61)	(81)	**(142)**
Utilities	6	-	**6**
Total	$ 2,417	$ 593	**$ 3,010**

7. Share Capital and Contributed Surplus

Authorized share capital: Unlimited Common shares without par value.

Share issuances:

a) On February 16, 2018, the Company issued 152,172 shares to certain directors, officers and service providers for services rendered during the period from July 1, 2017 to September 30, 2017 in the amount of $52,499, resulting in a gain on debt settlement of $19,022.

b) On February 16, 2018, the Company issued 40,220 shares to settle outstanding payables of $13,876, resulting in a gain on debt settlement of $5,028. This settlement did not result in any gain or loss being recorded.

c) On May 11, 2018, the Company issued 210,180 shares to certain directors, officers and service providers for services rendered to the Company in the amount of $52,500, resulting in a gain on debt settlement of $23,100.

d) On July 4, 2018, the Company issued 374,999 shares to certain directors, officers and service providers for services rendered to the Company in the amount of $52,500.

e) On September 28, 2018, the Company issued 388,887 shares to certain directors, officers and service providers for services rendered to the Company in the amount of $52,500, resulting to a loss on debt settlement of $9,722.

f) On November 1, 2018, the Company issued 70,370 to certain directors and service providers for services rendered to the Company in the amount of $9,500, resulting to a gain on debt settlement of $352.

g) On January 9, 2019, the Company issued 561,289 shares with a fair value of $61,742 to certain directors, officers and service providers on account of services rendered to the Company in the amount of $87,000, resulting in a gain on debt settlement of $25,258.

h) On February 20, 2019, the Company issued 787,500 shares to certain directors, officers and service providers on account of services of $94,500.

i) On June 11, 2019, the Company closed an oversubscribed private placement ("*Offering")* for gross proceeds of $6,251,500 through the issuance of 62,515,000 shares at a price of $0.10 per share. Each unit is composed of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share at an exercise price of $0.25 per warrant share for a period of two years from the date of closing of the private placement. The Company paid finders' fees of $170,374 in connection with this private placement.

   Having completed an independent technical review of the Company's targets and proposed work programs, LIM Asia Special Situations Master Fund Ltd. ("*LASSMF*"), the Company's largest shareholder, was cornerstone to the Offering. Following discussions with the TSX Venture Exchange, LASSMF subscribed for 16,722,000 subscription receipts at a price of $0.10 per subscription receipt instead of subscribing directly for the corresponding number of units. Under their terms, the subscription proceeds

7. Share Capital and Contributed Surplus – *continued*

Share issuances: – continued

received of $1,672,200 for the subscription receipts will be released from trust to the Company upon satisfaction of the final condition imposed by the Exchange, being receipt of disinterested shareholder approval to LASSMF retaining a control position and clearance of a personal information form ("*PIF*"), as required under Exchange policies, by a designated representative of LASSMF. On August 2, 2019, the condition was satisfied, and the subscription receipts, without further consideration, were exchanged for the same number of units.

The Company also announced New Prospect Capital Management ("*New Prospect*"), on behalf of a special purpose managed vehicle, Century Development Ltd. ("*Century*"), via the placement became the Company's second largest shareholder. New Prospect secured an approximate 12% stake in the Company, and has the right to a board seat.

The Exchange also required that the subscription for 16,000,000 units by Century to be closed in trust pending clearance of a PIF submitted by a designated representative of Century. This condition was the result of Century becoming an "*insider*" of the Company (as defined under Exchange policies) on closing of the Offering. Prior to period end, the units were released to Century.

As at September 30, 2019, 62,515,000 units were issued related to this private placement for gross proceeds of $6,251,500, of which $1,600,000 was held in trust.

j) On August 7, 2019, the Company issued 1,037,376 bonus shares to the Company's president and CEO in consideration of services rendered over 24 months in the amount of $124,485.

Stock options:

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option shall not be less than the discounted market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

On May 10, 2018, the Company granted 250,000 stock options to the officer and directors of the Company with a term of two years: exercisable at $0.20 per common share. The fair value of options granted was determined to be $16,987. On June 15, 2018, 1,306,022 stock options expired unexercised.

On July 30, 2018, the Company granted options to purchase up to an aggregate of 125,000 common shares each exercisable on or before July 30, 2020 at a price of $0.20 per share to newly-appointed director. The fair value of options granted was determined to be $11,779. On August 8, 2018, 2,265,024 stock options expired unexercised.

On August 9, 2018, the Company granted options to purchase up to an aggregate of 125,000 common shares each exercisable on or before August 9, 2020 at a price of $0.20 per share to newly-appointed chairman of the board of directors. The fair value of options granted was determined to be $9,052.

(Expressed in Canadian Dollars)

7. Share Capital and Contributed Surplus – *continued*

Stock options: – continued

On June 18, 2019, the Company completed a comprehensive remuneration review to better align, incentivize and retain the board and technical and management teams, and ensure contributions to the Company, both past and present, have been recognized.

On September 27, 2019, the Company granted to directors, officers and employees a total of 9,817,085 stock options under the Company's stock option plan. 6,544,885 have a two-year term from issuance date exercisable at a price of $0.11 per share, vesting over a four-month period from the grant date. 3,272,200 have a three-year term from issuance date exercisable at a price of $0.25 per share, vesting over a four-month period post the Company receiving the shareholder approvals required by the Exchange on August 2, 2019. The fair value of the options granted was determined to be $320,479.

On November 16, 2019, a total of 1,091,804 options lapsed.

The fair value was determined using the Black-Scholes Option Pricing Model with the following assumptions:

	September 27, 2019	September 27, 2019	August 9, 2018	July 30, 2018	May 10, 2018
Expected dividend yield	0%	0%	0%	0%	0%
Expected stock price volatility	107%	115%	104%	104%	120%
Risk free rate	1.51%	1.57%	2.09%	2.02%	1.93%
Forfeiture rate	0%	0%	0%	0%	0%
Expected life of options	3 years	2 years	2 years	2 years	2 years

During the nine-month period ended September 30, 2019, the Company recorded share-based compensation of $85,000 (2018 - $184,000) for the options vested.

A summary of the Company’s stock option transactions is as follows:

	Number of options	Weighted average exercise price
Balance outstanding – December 31, 2017	**6,649,426**	**$0.46**
Granted	250,000	0.20
Expired	(2,301,281)	0.45
Expired	(634,882)	0.43
Expired	(634,883)	0.54
Granted	250,000	0.20
Balance outstanding – December 31, 2018	**3,578,380**	**$0.42**
Granted	6,544,885	0.11
Granted	3,272,200	0.25
Balance outstanding – September 30, 2019	**13,395,465**	**$0.23**

The weighted average life of the stock options are 2.00 years.

(Expressed in Canadian Dollars)

7. Share Capital and Contributed Surplus – *continued*

Stock options: – continued

As at September 30, 2019, the following stock options are outstanding and exercisable:

Number	Price per share	Expiry date	Options exercisable
600,021	$0.525	September 13, 2021	600,021
600,020	$0.375	September 13, 2021	600,020
393,268	$0.430	January 23, 2021	393,268
393,267	$0.540	January 23, 2021	393,267
1,091,804	$0.445	November 16, 2019	1,091,804
250,000	$0.200	May 10, 2020	250,000
125,000	$0.200	July 30, 2020	125,000
125,000	$0.200	August 9, 2020	125,000
6,544,885	$0.110	September 27, 2021	340,878
3,272,200	$0.250	September 27, 2022	2,531,410
13,395,465	**$0.227**		**6,450,668**

Warrants:

On June 11, 2019, the Company issued 45,793,000 warrants with a fair value of $1,056,599 pursuant to a private placement. Each warrant entitles the holder to purchase a common share of the Company for a period of two years at $0.25 per warrant.

On August 2, 2019, the Company issued 16,722,000 warrants with a fair value of $596,343 pursuant to a private placement. Each warrant entitles the holder to purchase a common share of the Company for a period of two years at $0.25 per warrant.

The fair value was determined using the Black-Scholes Option Pricing Model with the following assumptions:

	August 2, 2019	June 11, 2019	August 4, 2017
Expected dividend yield	0%	0%	0%
Expected stock price volatility	110%	108%	107%
Risk free rate	1.43%	1.48%	1.24%
Forfeiture rate	0%	0%	0%
Expected life of warrants	2 years	2 years	1 year

A summary of the Company's warrant transactions is as follows:

	Number of warrants	Weighted average exercise price
Balance – December 31, 2017	**12,289,792**	**$0.468**
Expired	(3,312,993)	0.530
Balance – December 31, 2018	**8,976,799**	**$0.445**
Issued	62,515,000	0.250
Expired	(6,855,587)	0.445
Balance – September 30, 2019	**64,636,212**	**$0.256**

(Expressed in Canadian Dollars)

7. Share Capital and Contributed Surplus – *continued*

Warrants: – continued

The weighted average life of the warrants is 1.68 years.

As of September 30, 2019, the following warrants are outstanding and exercisable:

Number	Price per share	Expiry date	Warrant exercisable
2,121,212	$0.445	October 18, 2019	2,121,212
45,793,000	$0.250	June 11, 2021	45,793,000
16,722,000	$0.250	August 2, 2021	16,722,000
64,636,212	**$0.256**		**64,636,212**

Reserves:

Share-based payment reserve represents the fair value of stock options or warrants until such time that the share-based instruments are exercised, at which time the corresponding amount will be transferred to share capital.

8. Segmented Information

The Company operates in one operating segment being the acquisition of and exploration for exploration and evaluation assets in Mongolia. The Company's head office is located in Canada, and all of the Company's non-current assets are located in Mongolia.

9. Related Party Transactions

The Company incurred the following amounts for related party services:

a) During the nine-month period ended September 30, 2019, the Company incurred $30,150 (2018 - $58,350) to BridgeMark Financial Corp. and $25,200 (2018 - $Nil) to Regiis Oak Capital Corp., companies with an officer in common for management and accounting services.

b) During the nine-month period ended September 30, 2019, the Company incurred management fees of $474,485 (2018 - $213,750) to Spring Resources Pty Ltd., a company with an officer in common.

c) During the nine-month period ended September 30, 2019, the Company incurred director's fees of $Nil (2018 - $122,322) to three former directors and $235,500 (2018 - $35,081) to current directors.

d) During the nine-month period ended September 30, 2019, the Company incurred consulting fees of $15,000 (2018 - $51,000) to a director of the Company.

e) At September 30, 2019, the Company owed $150,474 (December 31, 2018 - $205,574) in accrued directors' fees in accounts payable.

9. Related Party Transactions – *continued*

f) During the nine-month period ended September 30, 2019, the Company issued 683,467 common shares with a fair value of $79,306 to settle $91,500 payables owing to the officers and directors of the Company. During the year ended December 31, 2018, the Company issued 312,395 common shares with a fair value of $49,863 to settle $60,368 payables owing to the directors of the Company.

Compensation of key management personnel

In thousand $		**September 30, 2019**		September 30, 2018
Management fees, chairman, directors and audit committee fees	**$**	**780**	$	481
Share-based payments*		**74**		184
	$	**854**	$	665

** The estimated fair value of the stock options granted during the period was determined using the Black-Scholes Option Pricing Model.*

10. Supplemental Disclosure of Cash Flow Information

Supplemental Disclosure of Non-Cash Financing and Investing Activities include *('000):*		**September 30, 2019**		September 30, 2018
Amortization capitalized to exploration and evaluation assets	**$**	**167**	$	-
Shares issued in settlement of debt	**$**	**157**	$	182

Supplemental Disclosure of Cash and Cash Equivalent *('000):*		**September 30, 2019**		December 31, 2018
Cash at bank	**$**	**2,881**	$	914
Bank term deposit		**23**		23
	$	**2,904**	$	937

11. Equipment

Net carrying costs at September 30, 2019 and December 31, 2018 are as follows ('000):

		Computers		Exploration Equipment		Total
Cost						
Balance as at December 31, 2017	$	16	$	727	$	743
Additions		6		187		193
Disposal		-		(32)		(32)
Balance as at December 31, 2018	$	22	$	882	$	904
Additions		3		169		172
Balance as at September 30, 2019	$	25	$	1,051	$	1,076
Accumulated amortization						
Balance as at December 31, 2017	$	(14)	$	(385)	$	(399)
Amortization		(4)		(322)		(326)
Disposal		-		32		32
Balance as at December 31, 2018	$	(18)	$	(675)	$	(693)
Amortization		(3)		(165)		(168)
Balance as at September 30, 2019	$	(21)	$	(840)	$	(861)
Net book value						
At December 31, 2018	$	4	$	207	$	211
At September 30, 2019	**$**	**4**	**$**	**211**	**$**	**215**

During the nine-month period ended September 30, 2018, the Company sold a vehicle that resulted to a gain of $18,447.

12. Commitments and Contingencies

Contingencies

In the course of its business activities the Company has from time to time, been the subject of civil claims by third parties, including former employees that could give rise to a liability to pay compensation or damages. In addition, the Company may receive notices from regulatory and other governmental agencies responsible for the administration of regulations impacting on the Company's business affairs, in relation to the imposition or intended imposition of penalties, assessments and other orders that could potentially have an adverse effect or negatively impact on the Company's business and financial condition. Based upon historic experience with the management of such claims, assessment and regulatory actions, the Company does not anticipate that the outcome of those claims, assessments and regulatory actions, will have a materially adverse effect on the Company's business or financial condition.

13. Subsequent Events

On October 31, 2019, the Company issued 271,875 shares at a deemed price of $0.08 per share and 197,728 common shares at a deemed price of $0.11 per share as partial consideration for the services rendered by certain directors, officers and other service providers for the six months ended June 30, 2019.

On November 11, 2019, the Company entered an agreement with Temuulen Orshih LLC, a privately held Mongolian company that owns 100% of the Badrakh project, that subject to final due diligence and definitive documentation, supports binding commercial terms.

The Company has a staged pathway to earn up to 80% shareholding interest in the project.

Key milestones include:
1. Option period: Kincora will spend $250,000 (U.S.) by June 30, 2020, to hold an option to earn-in to the Badrakh project.
2. Stage 1: Kincora will spend up to $2-million (U.S.) within a two-year period (after the option period) to earn a 51% interest in the Badrakh project.
3. Stage 2: Kincora will spend up to $4-million (U.S.) within three years (after stage 1) to earn a further 29% interest in the Badrakh project for total interest of 80 per cent, with ownership increments of 14.5% for every $2-million (U.S.) in financing.

The agreement provides a path to control alongside a well-credentialed vendor and partner, for a priority drill ready project underpinned by large-scale porphyry targets, which are favourably located to existing infrastructure and on the doorstep to China.

On November 18, 2019, the Company provided an update on results from activities to date from the 2019 field season following first phase target testing drilling at the Bronze Fox and East Tsagaan Suvarga ("East TS") projects.

A total of 9 holes for 6,112 metres were drilled testing 5 targets across both projects. It was announced that the first of a proposed 2-hole program had just commenced at the recently optioned Badrakh project.

Project generation and earlier stage project pipeline exploration activities continue as Kincora is the most active foreign listed junior seeking to make the next Tier 1 discovery in Mongolia.

Highlights included:
- Bronze Fox: 6 holes completed at two targets for 4,264 metres
  - Confirmed and better defined a large lower grade porphyry system with localised higher-grade zones at the West West Kasulu target.
  - Preparations ongoing for mining license application for the eastern exploration license.
  - Drilling has added geological information to support an updated block model, enhance the dataset sufficiently for NI 43-101 purposes and a maiden resource.
- East Tsagaan Suvarga: 3 holes completed at three targets for 1,848.2 metres
  - Drilling has failed to confirm the targeted geological concepts meaning the project has become too high a risk proposition for a junior to solely fund.
- Badrakh: 2 holes proposed at two targets for a budgeted 1,000 metres with the first hole commenced.

13. Subsequent Events – *continued*

On November 21, 2019, the Company announced it was to be granted a new exploration license (ELA5844) covering 762km2 named the Nyngan project located in the Lachlan Fold Belt ("LFB"), central New South Wales ("NSW"), Australia.

The issued direct license application area followed a review of prospective underexplored undercover terrains in Australia by Kincora's Technical Committee and various new project opportunities. The Kincora team has previous Tier 1 discovery successes in the LFB.

The Nyngan project was selected based on its stratigraphic-structural setting and right rocks, is a large size (one of the largest licenses in the LFB) with previous favourable results of the last drilling program by Newcrest Mining Limited inadequately followed up.

The LFB lends itself to complementary exploration approach and scale of targets to ongoing activities in the Southern Gobi, Mongolia, and Kincora announced it will apply for recently announced State cooperative drilling funding.

Qualified Person

The scientific and technical information was prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and was reviewed, verified and compiled by Kincora's geological staff under the supervision of Peter Leaman (M.Sc. Mineral Exploration, FAusIMM), Senior Vice-President of Exploration of Kincora Copper, who is the Qualified Person for the purpose of NI 43-101.