Kincora Copper Limited

(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Expressed in Canadian Dollars

FOR THE YEAR ENDED DECEMBER 31, 2019

As at April 28, 2020

Introduction

The following Management's Discussion and Analysis (*"MD&A"*) of the Company has been prepared as of April 28, 2020. This MD&A should be read in conjunction with the annual audited consolidated financial statements of Kincora Copper Ltd. and the notes thereto for year ended December 31, 2019, which have been prepared using accounting policies consistent with International Financial Reporting Standards ("*IFRS*"). In addition, the consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the consolidated financial statements and *MD&A*, is complete and reliable.

Description of Business

Kincora Copper Limited (the "*Company*" or "*Kincora*") is an active explorer and project generator focused on world-class copper-gold discoveries.

The Company has assembled an industry leading technical team who have made multiple Tier 1 copper discoveries, who have "*skin in the game*" equity ownership and who are backed by a strong institutional shareholder base.

Kincora's portfolio includes district scale landholdings and scale-able drill ready targets in both Australia and Mongolia's leading porphyry belts, the Lachlan Fold Belt and Southern Gobi respectively.

Our exploration model applies a robust systematic approach utilising modern exploration techniques supporting high-impact, value add programs underpinned by targets with strong indications for world-class scale potential.

Kincora is based in Ulaanbaatar, has a year-round camp in the Southern Gobi, and corporate offices in Vancouver and Melbourne. The Company is a reporting issuer in Ontario, British Columbia and Alberta, Canada, with its common shares trading on the TSX Venture Exchange under the symbol **KCC**.

For further information please refer to our website: www.kincoracopper.com

Corporate and Operational Highlights

Highlights for the year ended December 31, 2019 include:

- **Issuance of shares for private placement:** On June 11, 2019, the Company closed a private placement ("Offering") for gross proceeds of $6,251,500 through the issuance of 62,515,000 units at a price of $0.10 per share. Each unit of the Offering is comprised of one share and one warrant, each warrant entitling the holder to acquire a further share at a price of $0.25 for a term of 2 years. The Company paid finders' fees of $170,374 in connection with this private placement.

  Having completed an independent technical review of Kincora's targets and proposed work programs, our largest shareholder, the LIM Asia Special Situations Master Fund Limited (the "*LASSMF*"), was cornerstone to the Offering.

  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 Kincora, and has the right to a board seat. New Prospect is a Hong Kong based natural resource specialist investment manager with an extensive network and global investment experience.

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 year-end, the units were released to Century.

As at December 31, 2019, 62,515,000 units were issued related to this private placement for gross proceeds of $6,251,500.

- **Drilling at Bronze Fox:** On June 26, 2019, the Company commenced a multiple rig drilling program at its 100% owned Bronze Fox copper-gold porphyry project in the Southern Gobi, Mongolia. Bronze Fox has an large mineralised footprint, was excluded and retained by Ivanhoe Mines from the BHP Falcon JV with Ivanhoe, and has previously only experienced two field seasons of unencumbered drilling.

  An independent block model, relogging 24,000 metres of drill core, new geophysics and a full reinterpretation of previous results by the Kincora team been undertaken and vectored to two new large target zones.

  Exploration results of phase 1 activities for the 2019 field season at Bronze Fox were announced to market on September 10 and November 18, 2019. The Kincora team relogged a total of 6,286.5 metres of core in the West West Kasulu target area to support detailed vein density and orientation, mineral paragensis analysis and integration to geophysics. Results from field season activities are interpreted as having better defined the large lower grade porphyry system with localised higher-grade zones proximal to a key regional fault and localised parallel fault.

  Activities have also supported the required datasets for conversion of the existing eastern exploration license to a mining license, which the Company is expected to submit in the next quarter.

  The 2019 drilling and recent field activities (including gathering specific gravity samples for all prior drilling) have added geological information to support an updated block model, enhanced the dataset sufficiently for NI 43-101 purposes and a maiden resource.

  As announced on January 25, 2018, prior activities supported an exploration target 416 Mt to 428 Mt grading 0.26% to 0.30% copper for up to 2,437Mlb of copper and 0.84Moz gold. The potential quantity and grade ranges are conceptual in nature and based on nearest neighbour and ordinary krige estimates, and there has been insufficient exploration to define a mineral resource. It is uncertain if further exploration will result in the target being delineated as a mineral resource.

- **Badrakh project:** As announced on November 11, 2019, the Company secured an option and earn-in agreement for the Badrakh copper porphyry project, located in the Southern Gobi. The Company committed to drill two holes in the 2019 field season testing the potential preserved porphyry underlying a supergene cap within a 2 by 0.5km surface alteration zone.

  In order to test three separate targets and geological concepts, the Company drilled three holes for 1464 metres, in addition the vendor's two prior holes earlier in the field season (1,904 total metres drilled in 2019).

  Following the receipt of all exploration results and technical review, the Company notified the vendor that it will not further pursue the project and written off all its capitalized exploration costs of $294,000.

- **Drilling at East Tsagaan Suvarga:** As announced on November 18, 2019, the Company had completed 3 holes for 1,848.2 metres of drilling at the East Tsagaan Suvarga project. 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.

- **Nyngan project:** As announced on November 21, 2019, the Company has been granted new exploration licence (ELA5844) covering 762 km^2 named the Nyngan project located in the Lachlan Fold Belt (LFB), central New South Wales (NSW), Australia. On January 6, 2020, the application was formally approved, and the Company was granted with exploration license EL8929.

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

  The LFB lends itself to complementary exploration approach and scale of targets to ongoing activities in the Southern Gobi, Mongolia, and Kincora has applied for State cooperative drilling funding.

- **Issuance of shares for services:**

  - On January 9, 2019, the Company issued 561,289 shares to certain directors, officers and service providers for services rendered to the Company of $87,000, resulting in a gain on debt settlement of $25,258.

  - On February 20, 2019, the Company issued 787,500 shares to certain directors, officers and service providers for services rendered to the Company of $94,500.

  - On October 29, 2019, the Company issued 469,603 shares with a fair value of $32,872 to service providers on account of services rendered to the Company in the amount of $43,500, resulting in a gain on debt settlement of $10,628.

- **Results of Annual Meeting of Shareholders:** On September 26, 2019, the Company announced the results of voting at its Annual General Meeting ("*AGM*") of shareholders that was held the same day in Ulaanbaatar. The AGM was held concurrent with the 17th annual Discover Mongolia conference. All matters submitted to shareholders for approval as set out in the Company's Notice of Meeting and Information Circular, both dated September 6, 2019, excluding the Deemed Re-pricing of Stock Options, were approved by the requisite majority of votes cast at the Meeting with 55.4% of shareholder proxies returned.

- **Issuance of bonus shares:** On August 7, 2019, following shareholder approval at the September 26, 2019 AGM, the Company issued 1,037,376 bonus shares to the Company's president and CEO in consideration of services rendered over 24 months.

- **Grant of options to buy shares:** 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 $329,835.

Highlights for events subsequent to the year ended December 31, 2019:

- **Nyngan and Nevertire licence application:** On January 6, 2020, the Company's license application for its Nyngan project was formally approved, and the Company was granted with exploration license EL8929.

  On January 30, 2020, an application for a second large new exploration licence was made directly to the NSW state for the Nevertire project, covering 382 km^2.

  On April 14, 2020, the Company was successfully granted a new exploration licence (EL8960) for the Nevertire project.

  The Company's portfolio of the Nevertire and Nyngan projects consolidates a land position of 1,144 km^2 in the most prospective and shallow to moderate cover of the northern Junee-Narromine belt within the LFB of the Macquarie arc in NSW.

- **Memorandum of Understanding with RareX Limited:** On January 30, 2020, the Company announced a binding memorandum of understanding (MoU) and made a non-refundable option payment of $25,000 to RareX providing the exclusive right to acquire a 65% interest in six mineral leases and five projects covering 587km^2 in the LFB.

  On March 19, 2020, the Company announced it had completed definitive agreements with RareX. The key commercial terms being:

  - Issuing 14,950,000 common shares at a deemed price of $0.065 per share of the Company upon closing, subject to a voluntary 12-month lockup, resulting in RareX becoming a 9.9% shareholder (issued on March 27, 2020);

  - Payment of $150,000 in cash to RareX as follows:
    - $100,000 in cash consideration (paid on March 23, 2020); and,
    - $50,000 in cash as reimbursement to RareX for outstanding holding costs and licence renewals (paid on March 23, 2020).

  - The Company acquiring a 65% interest in the respective licences, becoming operator and sole financer of all further exploration until a positive scoping study or preliminary economic assessment (PEA). Upon completion of the PEA, the Company and RareX will form a joint venture with standard funding and dilution requirements and right of first refusal on transfers;

  - The Company is committed to maintain the full licence portfolio in good standing for a period of 12 months and RareX shall have the right to retain a 100% ownership in any licence that the Company may elect to drop or to not renew, for no consideration;

  - The Company obtained the approval from the TSXV on February 19, 2020.

- **COVID-19 statement:** Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from coronavirus (COVID-19). The Company continues to operate its business and move its exploration activity forward at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2020.

On March 17, 2020, the Company issued a statement on the novel coronavirus (COVID-19) and that preventative measures have been taken to modify how Kincora conducts business, to protect our staff, contractors and the communities the Company operates in.

- **Shares for services:** On April 8, 2020, the Company issued 2,483,480 common shares of the Company in consideration of certain services provided during the second half of 2019.

- **Commencement of drilling at Trundle:** On April 22, 2020, the Company announced a drilling program had commenced testing three large and mineralized porphyry targets at the Trundle project in the LFB. A phase 1 program for six holes and 3,800 metres is planned.

  The Trundle license is the only brownfield project held by a listed junior in Australia's foremost porphyry belt (the Macquarie arc of the LFB), and within the same mineralized complex as Australia's second largest porphyry mine (Northparkes), and is viewed to have excellent potential for new higher-grade porphyry and skarn copper-gold discoveries.

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, and John Holliday (BSc Hons, BEc, member of the Australian Institute of Geoscientists), Non-Executive Director and Technical Committee Chairman, who are the Qualified Persons for the purpose of NI 43-101.

Results of Operations

Three-Month Period Ended December 31, 2019

The Company's loss for the three-month period ended December 31, 2019 (the "*Current Period*") was $3,523,000 or $0.03 per share as compared with a loss of $728,000 or $0.01 per share for the three-month period ended December 31, 2018 (the "*Comparative Period*").

General and administrative expenses were $574,000 higher in the Current Period at $717,000 compared with $143,000 in the Comparative Period, including finders' fees and offering costs for the completed private placement, management fees, investor relations and corporate administrative and office services. This difference was due to higher consultants ($36,000 versus $31,000), higher consultants - geologists ($40,000 versus recovery of $138,000), higher corporate administrative and office services ($86,000 versus $77,000), higher directors and audit committee fees ($61,000 versus $37,000), higher foreign exchange loss ($9,000 versus gain of $22,000), higher investor relations ($36,000 versus $30,000), higher management fees ($75,000 versus $71,000), and higher share-based compensation ($233,000 versus recovery of $82,000). These increases were offset by lower consultants - technical ($22,000 versus $40,000), and lower travel expenses ($23,000 versus $28,000).

During the three-month period ended December 31, 2019, the Company recognized $11,000 (2018 - loss of $3,000) gain on settlement of debt, and $2,817,000 (2018 - $581,000) impairment loss of exploration and evaluation assets.

Year Ended December 31, 2019

The Company's loss for the year ended December 31, 2019 (the "*Current Period*") was $4,956,000 or $0.05 per share as compared with a loss of $2,317,000 or $0.04 per share for the year ended December 31, 2018 (the "*Comparative Period*").

General and administrative expenses were $464,000 higher in the Current Period at $2,175,000 compared with $1,711,000 in the Comparative Period, including finders' fees and offering costs for the completed private placement, management fees, investor relations and corporate administrative and office services. This difference was due to higher consultants ($144,000 versus $100,000), higher directors and audit committee fees ($244,000 versus $193,000), higher investor relations ($154,000 versus $101,000), higher legal and accounting fees ($216,000 versus $156,000), higher share-based compensation ($318,000 versus $102,000), higher management fees ($549,000 versus $285,000), and higher transfer agent and filing fees ($50,000 versus $37,000). These increases were offset by lower consultants - geologists ($58,000 versus $83,000), lower consultants - technical ($87,000 versus $162,000), lower corporate administrative and office services ($282,000 versus $310,000), foreign exchange gain ($30,000 versus loss of $76,000), lower insurance ($14,000 versus $17,000), and lower travel expenses ($65,000 versus $89,000).

During the year ended December 31, 2019, the Company recognized $36,000 (2018 - $38,000) gain on settlement of debt, $Nil (2018 - $18,000) gain on sale of assets, and $2,817,000 (2018 - $662,000) impairment loss of exploration and evaluation assets.

Summary of Quarterly Results – ***000's***

The table below presents selected financial data for the Company's eight most recently completed quarters, all prepared in accordance with IFRS.

In thousand $	December 31, 2019 ($)	September 30, 2019 ($)	June 30, 2019 ($)	March 31, 2019 ($)	December 31, 2018 ($)	September 30, 2018 ($)	June 30, 2018 ($)	March 31, 2018 ($)
Financial Results								
Net loss for period	(3,523)	(530)	(588)	(315)	(728)	(583)	(563)	(443)
Basic and diluted loss per share	(0.03)	(0.00)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)
Exploration expenditures, net of impairment (recovery)	(2,110)	998	175	190	33	387	245	199
Financial Position								
Cash and cash equivalents	2,903	2,904	2,813	576	937	1,466	2,173	2,845
Exploration and evaluation assets	50,439	52,549	51,551	51,376	51,186	51,153	50,766	50,521
Total assets	54,291	57,450	58,060	52,223	52,446	53,073	53,406	53,783
Shareholders' equity	53,467	56,724	57,129	51,552	51,710	52,507	52,916	53,381

Liquidity and Capital Resources

As of December 31, 2019, the Company had $2,903,000 in cash, noting that included in receivables, prepaids and deposits is a receivable of $601,111 due from the trust account of a former legal counsel of the Company. The amount was held in conjunction with the private placement and was received after year-end by the Company.

The Company does not have any cash flow from operations due to the fact that it is an exploration stage company; therefore, financing activities have been the sole source of funds and continued efforts to reduce non-core expenditure. Given volatility in equity markets, global uncertainty in economic conditions, cost pressures and results of exploration activities, management constantly reviews expenditures and exploration programs and equity markets.

At December 31, 2019, the Company had an accumulated deficit of $129,602,000, a net loss for the year ended December 31, 2019 of $4,956,000 and working capital of $2,865,000. During the year ended December 31, 2019, the Company used cash of $2,093,000 in operating activities, had cash provided by financing activity of $6,081,000 from proceeds from private placement and had investing activities use of cash of $2,022,000 which was mainly used for the acquisition of equipment and expenditures for the exploration and evaluation assets. The Company's cash position is highly dependent on the ability to raise cash through financings and the expenditures on its exploration programs. As results of exploration programs are determined and other opportunities become available to the Company, management may complete an external financing as required.

At present, the Company's operations do not generate cash inflows and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control. In order to finance the Company's future exploration programs and to cover administrative and overhead expenses, the Company has raised money through equity sales, and in the future could raise money from optioning its exploration and evaluation assets.

Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes that there will be risks involved which may be beyond its control.

Related Party Transactions

The Company incurred the following amounts for related party services:

a) During the year ended December 31, 2019, the Company incurred $39,150 (2018 - $76,800) to BridgeMark Financial Corp. and $34,650 (2018 - $Nil) to Regiis Oak Capital Corp., companies with an officer in common for management and accounting services.

b) During the year ended December 31, 2019, the Company incurred $549,485 (2018 - $285,000) and issued 1,037,376 shares with a fair value of $124,485 (2018 - $Nil) to Spring Resources Pty Ltd., a company with an officer in common for management services.

c) During the year ended December 31, 2019, the Company incurred director's fees of $Nil (2018 - $122,322) to three former directors and $314,000 (2018 - $100,164) to current directors.

d) During the year ended December 31, 2019, the Company incurred consulting fees of $20,000 (2018 - $68,000) to a director of the Company.

e) At December 31, 2019, the Company owed $227,411 (2018 - $205,574) in accrued directors' fees in accounts payable.

f) During the year ended December 31, 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 $		**December 31, 2019**		December 31, 2018
Management, chairman, directors, and audit committee fees	**$**	**957**	$	652
Share-based payments*		**282**		102
	$	**1,239**	$	754

** The estimated fair value of the stock options granted during the period was determined using the Black-Scholes option pricing model.*

Share Capital Information

The table below presents the Company's common share data as of April 28, 2020.

	Price ($)	Expiry date	Number of common shares
Common shares, issued and outstanding			152,895,307
Securities convertible into common shares			
Warrants	***various***	***various***	62,515,000
Stock options	***various***	***various***	12,303,661
			227,713,968

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 Companies business or financial condition.

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 pursue the development of its mineral properties 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.

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 and investments.

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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

New Accounting Standards Adopted

IFRS 9 "Financial Instruments"

Classification

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.

Financial assets/liabilities	**Classification**
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Measurement

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.

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, subscriptions receivable and accounts payable and accrued liabilities 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.

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.

IFRS 16 "*Leases*"

The Company adopted IFRS 16 which sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The adoption did not result in any impact on the financial statements as the Company did not have any lease during the periods presented.

As at the commencement date of a lease, the Company recognizes a lease liability and an asset representing the right to use the underlying asset during the lease term (i.e. the "right-of-use" asset) unless the underlying asset has a low value or the lease term is twelve months or less, which are expensed in the period incurred. At this date, the right-of-use asset is measured at cost, which includes the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset. The right-of-use asset is then depreciated using the straight-line method from the lease commencement date to the earlier of the end of the lease term or the end of the useful life of the asset. The right-of-use asset may also be reduced for any impairment losses, if any.

At the lease commencement date, the lease liability is measured at the present value of the future lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate, which is the rate the Company would pay for similar assets at similar locations over a similar term. The lease liability is measured at amortized cost using the effective interest method.

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
The Company has non-material exposure at December 31, 2019 to interest rate risk through its financial instruments.

Currency Risk
The Company's operations are focused to 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
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.

Receivables consist of goods and services and the harmonized sales tax due from the Government of Canada. Management believes that the credit risk concentration with respect to receivables is remote.

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. Management believes its credit risk to be minimal.

Liquidity Risk
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 December 31, 2019, the Company had a cash balance of $2,903,000 (2018 - $937,000), to settle current liabilities of $824,000 (2018 - $736,000).

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.

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.

Critical Accounting Estimates

The preparation of interim condensed consolidated financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the statement of financial position date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the consolidated financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs, which policy it believes to be consistent with IFRS and applicable guidelines for exploration stage companies. The policy is consistent with other junior exploration companies that have not established mineral reserves objectively. An alternative policy would be to expense these costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

Risks and Uncertainties

The Company is engaged in the business of acquiring, exploring and developing mineral properties with the expectation of locating economic deposits of minerals. All of the properties are without proven copper/gold deposits and there is no assurance that the Company's exploration programs will result in proven copper/gold deposits, nor can there be any assurance that economic deposits can be commercially mined. As a consequence, any forward-looking information is subject to known and unknown risks and uncertainties. There have been no changes to any of the known and unknown risks and uncertainties during the year ended December 31, 2019.

Additional Disclosure for Venture Issuers without Significant Revenue

Additional disclosure concerning Kincora's general and administrative expenses and exploration and evaluation costs is provided in the Company's consolidated statement of loss and note disclosures contained in its consolidated financial statements for the year ended December 31, 2019. These statements are available on Kincora's website at www.kincoracopper.com or on its SEDAR Page Site accessed through www.sedar.com.

Dividends

Kincora has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the board of directors and will depend on Kincora's financial condition, results of operations, capital requirements and such other factors as the board of directors deem relevant.

Management's Responsibility for Consolidated Financial Statements

The information provided in this report, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the Company's IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Nature of the Securities

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

Proposed Transactions

At the present time, there are no proposed transactions that are required to be disclosed that are not disclosed elsewhere.

Approval

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting and internal control matters before the consolidated financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the consolidated financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Additional Information

Additional information is available on the Company's website at www.kincoracopper.com or on SEDAR at www.sedar.com.

Forward-Looking Information

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, permitting 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 statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature 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 factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual consolidated financial statements which are filed and available for review on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could 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.