Kincora Copper Limited

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the years ended December 31, 2021 and 2020

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kincora Copper Limited:

Opinion

We have audited the consolidated financial statements of Kincora Copper Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $22,581,000 and net cash used in operating activities of $2,127,000 during the year ended December 31, 2021 and as of that date, the Company had an accumulated deficit of $184,414,000. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the Matter was Addressed in the Audit
Carrying value of exploration and evaluation assets As disclosed in Note 6 as at December 31, 2021, the Company held capitalized exploration and evaluation expenditure assets of $10,657,000. The carrying value of exploration and evaluation expenditure is assessed for impairment by the Company when facts and circumstance indicate that the exploration and evaluation expenditure may exceed its recoverable amount. During the year ended December 31, 2021, the Company recognize an impairment charge of $19,197,000 on its Mongolian assets. The recoverable amount was estimated based on fair value less costs of disposal in a potential disposition of the Mongolian assets. The Company determined that there was no indicator of impairment on its Australian assets. We considered this a key audit matter because of the following reasons: (1) the determination as to whether there are any indicators of impairment involves a number of judgments including whether the Company has tenure, intends to perform ongoing exploration and evaluation activity, whether there is sufficient information for a decision to be made that the area of interest is not commercially viable ; and (2) the determination of the recoverable amount, which is based on the fair value of consideration to be received on the potential disposition, involves significant management judgment and the accounting estimates are subject to a high degree of estimation uncertainty.	Our procedures included, but were not limited to, the following: • We obtained an understanding of the key process associated with management's review of the exploration and evaluation assets; • We tested a sample of exploration expenditures incurred in Australia and Mongolia; • We tested the Company's right to explore, which included performing title searches and obtaining confirmations; • We evaluated the Company's intention to carry out significant exploration and evaluation activities; • We reviewed management's assessment on impairment indicators on the Mongolian and the Australian assets; • We reviewed the assumptions management used in estimating the recoverable amount and performed recalculation; • We assessed the adequacy of the disclosure included in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cherry Ho.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

March 30, 2022

Kincora Copper Limited

(An Exploration Stage Company)

Consolidated Statements of Financial Position

As at

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

		December 31, 2021		December 31, 2020
ASSETS				
Current				
Cash and cash equivalents	**$**	**4,831**	$	4,461
Receivables, prepaids and deposits		**521**		289
		5,352		4,750
Security deposits (Note 6)		**201**		55
Equipment (Note 11)		**76**		92
Exploration and evaluation assets (Note 6)		**10,657**		23,634
	$	**16,286**	$	28,531
LIABILITIES				
Current				
Accounts payable (Note 7 and 9)	**$**	**636**	$	765
Accrued liabilities		**45**		67
		681		832
SHAREHOLDERS' EQUITY				
Share capital (Note 7)		**186,237**		178,484
Share-based payment reserve (Note 7)		**11,930**		10,847
Obligation to issue shares (Note 7 and 9)		**2,099**		201
Foreign currency translation reserve		**(247)**		-
Deficit		**(184,414)**		(161,833)
		15,605		27,699
	$	**16,286**	$	28,531

Nature of Operations and Going Concern (Note 1)
Contingencies (Note 12)

Approved and authorized by the Board of Directors on March 30, 2022

"Ray Nadarajah"
Ray Nadarajah
Director

"Sam Spring"
Sam Spring
Director

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

Kincora Copper Limited

Statement 2

(An Exploration Stage Company)

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31,

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

		2021		2020
Expenses				
Consultants (Note 9)	**$**	**205**	$	214
Consultants – Geologists (Note 9)		**53**		121
Consultants – Technical		**94**		75
Corporate administrative and office services (Note 9)		**388**		225
Directors and audit committee fees (Note 9)		**244**		244
Exploration cost recovery		**(20)**		-
Foreign exchange loss		**46**		65
Insurance		**95**		26
Investor relations		**143**		148
Legal and accounting		**465**		207
Management fees (Note 9)		**406**		345
Share-based compensation (Notes 7 and 9)		**1,119**		242
Transfer agent and filing fees		**147**		69
Travel		**8**		44
		(3,393)		(2,025)
Other items				
Gain on settlement of debt (Note 7)		**-**		45
Write off of accounts payable		**9**		416
Loss on impairment of exploration and evaluation assets (Notes 6 and 13)		**(19,197)**		(30,667)
Net loss for the year		**(22,581)**		(32,231)
Foreign currency translation		**(247)**		-
Comprehensive loss for the year	**$**	**(22,828)**	$	(32,231)
Loss per share – basic and diluted	**$**	**(0.21)**	$	(0.57)
Weighted average number of common shares outstanding (*000's*)		**109,009**		56,114

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

Kincora Copper Limited

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

For the years ended December 31,

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

Cash provided by (used in):		**2021**		2020
Operating activities				
Loss for the year:	**$**	**(22,581)**	$	(32,231)
Items not affected by cash:				
Gain on settlement of debt		**-**		(45)
Obligation to issue shares		**363**		201
Share-based compensation		**1,119**		242
Write-down of exploration and evaluation assets		**19,197**		30,667
Write off of accounts payable		**(9)**		(416)
Issuance of bonus shares		**-**		85
Changes in non-cash working capital items:				
Receivables, prepaids and deposits		**(268)**		492
Accounts payable and accrued liabilities		**52**		613
Net cash used in operating activities		**(2,127)**		(392)
Investing activities				
Acquisition of equipment		**(67)**		(58)
Security deposits		**(146)**		-
Exploration and evaluation asset expenditures		**(6,137)**		(3,135)
Net cash used in investing activities		**(6,350)**		(3,193)
Financing activity				
Proceeds from private placement, net of issue costs		**9,094**		5,143
Net cash provided by financing activity		**9,094**		5,143
Effect of foreign exchange translation		**(247)**		-
Change in cash and cash equivalents		**370**		1,558
Cash and cash equivalents – beginning of year		**4,461**		2,903
Cash and cash equivalents – end of year	**$**	**4,831**	$	4,461

Supplemental Disclosure of Cash Flow Information (Note 10)

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

Kincora Copper Limited

(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2021 and 2020

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

	Share capital (Number of shares*)	Share capital $	Obligation to issue shares $	Share-based payment reserve $	Foreign currency translation reserve $	Deficit $	Total $
Balance, December 31, 2019	45,153,892	172,402	-	10,667	-	(129,602)	53,467
Shares issued for private placement, net	17,763,962	5,143	-	-	-	-	5,143
Shares issued for exploration and evaluation assets	4,983,333	598	-	-	-	-	598
Shares issued for settlement of debt	827,824	144	-	-	-	-	144
Shares for services to be issued	-	-	201	-	-	-	201
Bonus shares issued	657,933	197	-	-	-	-	197
Share-based compensation	-	-	-	180	-	-	180
Loss for the year	-	-	-	-	-	(32,231)	(32,231)
Balance, December 31, 2020	**69,386,944**	**178,484**	**201**	**10,847**	**-**	**(161,833)**	**27,699**
Shares issued for private placement	50,000,000	9,620	-	-	-	-	9,620
Share issuance costs	-	(2,226)	1,700	-	-	-	(526)
Shares issued for debt and services	1,325,082	359	(359)	-	-	-	-
Shares for services to be issued	-	-	557	-	-	-	557
Share-based compensation	-	-	-	1,083	-	-	1,083
Loss for the year	-	-	-	-	(247)	(22,581)	(22,828)
Balance, December 31, 2021	**120,712,026**	**186,237**	**2,099**	**11,930**	**(247)**	**(184,414)**	**15,605**

*The share numbers have been adjusted to reflect a consolidation of the Company's share capital on a 3:1 basis effective January 8, 2021 (Note 7).

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

1. Nature of Operations and Going Concern

Kincora Copper Limited ("the Company" or "Kincora") was incorporated in British Columbia, Canada 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") and began trading on the Australian Securities Exchange ("ASX") effective March 30, 2021, both under the symbol KCC.

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

These 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 December 31, 2021, the Company has an accumulated deficit of $184,414,000, a net loss for the year ended December 31, 2021 of $22,581,000 (primarily driven by an impairment loss on exploration and evaluation assets of $19,197,000 see Note 6 for further details), has working capital deficiency of $4,671,000 and a cash balance of $4,831,000. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying values of assets, liabilities, reported income and expenses and the statement of financial position classifications used. Such adjustments could be material.

Kincora on a daily basis since late January 2020 has been closely monitoring the development of the novel coronavirus (COVID-19) and its spread globally. Preventative measures have been taken to modify how it conducts its business, to protect staff, contractors and the communities where it operates. These measures include international and domestic travel restrictions, remote work and supplemental health care, particularly for its Ulaanbaatar based staff and for the drilling programs in Central West New South Wales ("NSW"), Australia. Health and safety considerations, and appropriate risk assessments, continue to dictate various project generation functions, exploration and marketing activities. In Mongolia, Canada and Australia, the Company will continue to pay close attention to the rapidly changing landscapes it faces and the measures mandated by the National and State provincial governments. While the continued longevity and further extend of the impact is uncertain, field operations and exploration to date have continued largely without significant interruption and commodity prices remain above pre-COVID-19 levels, but the Company highlights the risk that the outbreak might increase the difficulty in capital raising and at times adversely impact operations which may negatively impact the Company's business and financial condition.

2. Basis of Preparation

Statement of Compliance

These 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 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.

Critical Accounting Estimates

The preparation of these 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 capitalized acquisition and expenditure costs, facing review for impairment based on factors including the planned exploration budgets and activities, commodity prices, drill results of exploration programs, and strategic direction of the Company;
- 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.

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 IBEX LLC ("Nadmin"), Golden Grouse IBEX LLC ("Golden Grouse"), BSG Investments Inc. ("BSGII"), Game Creek Company Limited ("Game Creek"), Samsul Mineração Ltda. ("Samsul"), Kincora Australia Limited and Kincora Copper Australia Pty Ltd. Inter-company balances and transactions are eliminated on consolidation. BSGII, Game Creek, Kincora Australia Limited and KGL are British Virgin Island incorporated companies. Nadmin and Golden Grouse were incorporated in Mongolia. Samsul was incorporated in Brazil. Kincora Copper Australia Pty Ltd was incorporated in Australia in 2019.

3. Significant Accounting Policies – *continued*

a) Basis of consolidation – *continued*

KGL, Nadmin and Golden Grouse are party to the acquisition and joint venture agreement entered by the Company with Resilience Mining Mongolia Pty. Ltd. ("RMM") on June 30, 2021 which remains conditional as at March 30, 2022.

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.

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

3. Significant Accounting Policies – *continued*

d) Exploration and evaluation assets – *continued*

- 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 year. For all years 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.

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.

3. Significant Accounting Policies – *continued*

g) Income taxes – *continued*

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 (except Kincora Copper Australia Pty Ltd), for the year ended December 31, 2021 is the Canadian Dollar, and the functional currency of Kincora Copper Australia Pty Ltd is the Australian Dollar. The functional currency of the Company and its subsidiaries for the year ended December 31, 2020 was 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”). The Company’s presentation currency is the Canadian dollar (“$”).

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.

<u>Foreign operations</u>

The financial results and position of foreign operations whose functional currency is different from the Company’s presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company’s foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

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.

Under the legislative environments the Company may operate in, environmental bonds and prepayments can be required to support gaining operational and exploration approvals, and held until such work is completed and rehabilitation completed. Such payments are recorded as a prepayment until return and receipt to the Company. The Company's estimates of reclamation costs, environmental bonds and prepayments 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 December 31, 2021 and 2020, 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 periodically reviewed, including following the reduction in any mineral tenure rights and 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) 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	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 loss and comprehensive loss in the period in which they arise.

Fair value measurement disclosure includes classification of financial instrument 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.

3. Significant Accounting Policies – *continued*

k) Financial Instruments – *continued*

Measurement – *continued*

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.

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 loss and comprehensive loss.

l) Leases

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.

3. Significant Accounting Policies – *continued*

l) Leases – *continued*

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.

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.

5. Management of Financial Risk – *continued*

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 Australia and Mongolia, where many exploration and administrative expenses are incurred in the Australian Dollar, 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 Australian Dollar, Tugrik and the US dollar may have positive and/or adverse effect on the operations and operating costs of the Company. Management seeks to limit foreign current risk, primarily seeking to retain funds in Canada and Australia wiring funds as and when needed to foreign subsidiaries to meet operating expenditures, and 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 Australia, with more limited funds in 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 December 31, 2021, the Company had a cash balance of $4,831,000 (2020 - $4,461,000) to settle current liabilities of $681,000 (2020 - $832,000). On March 19, 2021, Company raised $9,620,000 (A$10,000,000) through an initial public offering ahead of commencement of trading and dual listing on the ASX.

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.

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.

5. Management of Financial Risk – *continued*

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

For the year ended December 31, 2021 (000's)

	Bronze Fox	Golden Grouse	Macquarie Arc	Total
Acquisition costs				
Acquisition & maintenance	$ -	$ -	$ -	$ **-**
Total current acquisition costs	$ -	$ -	$ -	$ **-**
Exploration costs				
Amortization	$ 47	$ 36	$ -	$ **83**
Assaying	-	1	334	**335**
Camp	1	7	40	**48**
Drilling	-	-	3,007	**3,007**
Fuel	-	-	160	**160**
Geological/geophysics	-	5	-	**5**
License/fees/taxes	-	2	2	**4**
Rental/utilities	1	2	318	**321**
Salaries/labor	99	160	1,793	**2,052**
Supplies/safety gear	-	-	195	**195**
Transportation/travel	-	8	145	**153**
Total current exploration costs	$ 148	$ 221	$ 5,994	$ **6,363**
Total costs incurred during the year	$ 148	$ 221	$ 5,994	$ **6,363**
Balance, opening	19,213	1,137	3,284	**23,634**
Exclusivity payment received	(143)	-	-	**(143)**
Impairment	(18,043)	(1,154)	-	**(19,197)**
Balance, ending	$ 1,175	$ 204	$ 9,278	$ **10,657**
Cumulative costs:				
Acquisition	$ 36,624	$ 1,094	$ 773	$ **38,491**
Exploration	13,192	3,661	8,505	**25,358**
Exclusivity payment received	(143)	-	-	**(143)**
Impairment	(48,498)	(4,551)	-	**(53,049)**
	$ 1,175	$ 204	$ 9,278	$ **10,657**

6. Exploration and Evaluation Assets – *continued*

For the year ended December 31, 2020 (000's)

	Bronze Fox	Golden Grouse	Macquarie Arc	Total
Acquisition costs				
Acquisition & maintenance	$ -	$ -	$ 773	$ **773**
Total current acquisition costs	$ -	$ -	$ 773	$ **773**
Exploration costs				
Amortization	$ 84	$ 45	$ -	$ **129**
Assaying	-	-	134	**134**
Camp	1	5	143	**149**
Drilling	-	-	1,089	**1,089**
Fuel	-	-	104	**104**
Geological/geophysics	-	-	20	**20**
License/fees/taxes	1	2	5	**8**
Rental/utilities	2	15	167	**184**
Salaries/labor	48	125	667	**840**
Sampling	240	-	-	**240**
Supplies/safety gear	-	-	109	**109**
Transportation/travel	1	9	73	**83**
Total current exploration costs	$ 377	$ 201	$ 2,511	$ **3,089**
Total costs incurred during the year	$ 377	$ 201	$ 3,284	$ **3,862**
Balance, opening	49,291	1,148	-	**50,439**
Impairment	(30,455)	(212)	-	**(30,667)**
Balance, ending	$ 19,213	$ 1,137	$ 3,284	$ **23,634**
Cumulative costs:				
Acquisition	$ 36,624	$ 1,094	$ 773	$ **38,491**
Exploration	13,044	3,440	2,511	**18,995**
Impairment	(30,455)	(3,397)	-	**(33,852)**
	$ 19,213	$ 1,137	$ 3,284	$ **23,634**

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 indirectly holds title to the Bronze Fox copper/gold project in Mongolia.

Following the issuance of the Bronze Fox mining license approximately 85% of the eastern Bronze Fox license was relinquished as part of the conversion of the exploration to mining license. Following a detailed review of historical acquisition and expenditure relating to the eastern Bronze Fox license an impairment has been undertaken to reflect:

- the pro-rata amount of the capitalised acquisition costs for the eastern license; and,
- for the capitalised specific exploration costs for activities undertaken on ground no longer retained.

6. Exploration and Evaluation Assets – *continued*

Exploration and evaluation assets – Mongolia – Bronze Fox – continued

The review has resulted in a write down of $29,713,000 in 2020 relating to the area that has been relinquished.

Such a methodology is consistent with the Company's standard review process as per the prior ground held and relinquished in Mongolia (or any other jurisdiction).

During the year ended December 31, 2020, the Company recorded total impairment loss of $30,455,000 relating to the write-off of exploration license, which includes $742,000 write-off of IBEX acquisition cost.

During the year ended December 31, 2021, the Company assessed the property for impairment in relation to the acquisition and joint venture agreement entered by the Company with RMM on June 30, 2021, and recorded an impairment loss of $18,043,000.

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). The Company retains the full regional exploration dataset across the IBEX portfolio and various infrastructure associated with the merger, including the White Pearl camp in the Southern Gobi, but as of December 31, 2019, all of the mineral exploration licenses associated with the IBEX transaction that are no longer being explored by the Company have been written down for a total of $3,185,000.

During the year ended December 31, 2020, the Company recorded an impairment loss of $212,000 relating to the write-off of exploration license.

During the year ended December 31, 2021, the Company assessed the property for impairment in relation to the acquisition and joint venture agreement entered by the Company with RMM on June 30, 2021, and recorded an impairment loss of $1,154,000.

Impairment of evaluation and exploration assets – Mongolia

On June 30, 2021, the Company entered into a definitive acquisition and joint venture agreement with RMM in connection with the binding term sheet entered into by the parties on December 12, 2020. Pursuant to the agreement, RMM will acquire 80 percent interest in the Company's subsidiary, KGL which owns Nadmin and Golden Grouse ("Mongolian subsidiaries"), by granting an equity interest of 9.9 percent in RMM upon successful admission to the ASX and having raised a minimum of A$5,000,000 in new equity to the Company's subsidiary, BSG Investments Inc. Through a share purchase agreement, Kincora will also retain an effective carried asset level interest in the Mongolian subsidiaries until certain material project level milestones.

6. Exploration and Evaluation Assets – *continued*

Impairment of evaluation and exploration assets – Mongolia – continued

As consideration for an exclusivity period granted by the Company, RMM agreed to pay A$20,000 for a two-month period ended January 31, 2021, and an additional A$15,000 per month from February 1, 2021 until the earlier of completion or termination of the agreement. As of December 31, 2021, a total of A$155,000 was received from RMM.

As of December 31, 2021, the transaction was still subject to various conditions precedent, including RMM raising a minimum of A$5,000,000 and listing on the ASX. Hence, the Company does not consider the sale transaction as highly probable as of December 31, 2021 and the RMM transaction remains conditional as at March 30, 2022.

The Company assessed the exploration and evaluation assets of KGL for impairment based on the estimated fair value less costs of disposal of the 80 percent ownership interest of KGL as of December 31, 2021. The fair value of the 80 percent ownership interest was estimated based on the proposed IPO price and share structure of RMM in the ASX Listing. The Company recognized an impairment loss of $19,197,000 on the Mongolian properties, Bronze Fox and Golden Grouse, pro-rated based on the respective carrying amount of the properties.

Exploration and evaluation assets – Australia – Direct pegging activity

On November 21, 2019, the Company announced an application for a new exploration licence covering 762 km^2 named the Nyngan project located in the Lachlan fold belt ("LFB"), central NSW, Australia. On January 6, 2020, the Company's application was formally approved and exploration license EL8929 granted.

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.

On June 9, 2021, the Company announced an application for the Mulla gold copper porphyry project, covering 616km^2 to the south of the existing Nyngan license and adjacent to the Nevertire license. The Mulla license was awarded in the fourth quarter of 2021. The 100% owned Nyngan, Nevertire and Mulla projects cover an area of approximately 1,761km^2 in the Macquarie Arc of the Lachlan Fold Belt in NSW, Australia.

Further direct applications for the Condobolin East (164.2km^2), gold-copper, and Carrington (374.4km^2), ultra-mafic, licenses were made during the fourth quarter of 2021.

6. Exploration and Evaluation Assets – *continued*

Exploration and evaluation assets – Australia – Joint Venture projects

On January 30, 2020, the Company entered into a binding memorandum of understanding ("MoU") and made a non-refundable option payment of A$25,000 to RareX Limited ("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 4,983,333 (post a subsequent 3:1 share consolidation by the Company) common shares of the Company upon closing (post a subsequent 3:1 share consolidation by the Company), subject to a voluntary 12-month lockup and transfer of titles with the NSW regulator, resulting in RareX becoming a then 9.9% shareholder (issued on March 27, 2020) (Note 7);
- Payment of A$150,000 in cash to RareX upon closing as follows:
    - A$100,000 in cash consideration (paid on March 30, 2020); and,
    - A$50,000 in cash as reimbursement to RareX for outstanding holding costs and licence renewals (paid on March 30, 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 held security deposits of $216,500 in relation to RareX claims as at December 31, 2021 (December 31, 2020: $55,000)

7. Share Capital

Authorized share capital: Unlimited Common shares without par value.

The Company consolidated its capital on the basis of three existing shares for one new share effective January 8, 2021. All shares figures and references have been retroactively adjusted to reflect the share consolidation.

Share issuances:

a) On March 27, 2020, the Company issued 4,983,333 shares (post a subsequent 3:1 share consolidation by the Company) with a fair value of $598,000 to RareX as part of the consideration to acquire a 65% interest in six mineral leases and five projects covering 587km^2 in the LFB (Note 6).

b) On April 8, 2020, the Company issued 827,824 common shares for $144,000 for services rendered by certain directors, officers and service providers during the second half of 2019.

On June 12, 2020, following the Company's annual remuneration review, the Company issued an aggregate of 657,933 bonus shares awarded to management of the Company in consideration of services rendered with

7. Share Capital – *continued*

Share issuances: – continued

a fair value of $197,380. 374,600 of the bonus shares are vesting three years, with one third vesting at each of the calendar year ended 2020, 2021 and 2022. During the year ended December 31, 2021, the Company recorded share-based compensation of $36,336 for the common shares vested with the remaining recorded in prepaid services.

c) On August 26, 2020, the Company closed a private placement for gross proceeds of $5,329,194 through the issuance of 17,763,962 units at a price of $0.30 per unit. 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 $0.75 per warrant share for a period of two years from the date of closing of the private placement. The Company paid finders' fees of $185,640 in connection with this private placement.

d) On February 23, 2021, the Company issued 1,325,082 shares with a fair value of $359,300 to certain directors, officers and service providers for services rendered in 2020.

e) On March 19, 2021, the Company closed an initial public offering of $9,620,000 (A$10,000,000), ahead of commencement of trading and dual listing on the ASX, through the issuance of 50,000,000 shares (settled on the ASX in the form of CHESS depositary interests (CDIs)) at a price of A$0.20 per unit. In connection with the offering, the Company paid share issuance costs of $526,404 and accrued an obligation to issue 10,000,000 brokers' options as of December 31, 2021. The fair value of the options was determined to be $1,700,078.

Obligation to issue shares:

The Company has a share for services plan approved in 2019. Pursuant to the plan, the Company provides compensation to directors and officers in both shares and cash. The portion of compensation that will be paid by shares are recorded in obligation to issue shares and will be transferred to share capital upon issuance of the shares. During the year ended December 31, 2021, the Company accrued fees of $363,000 (2020: $363,000) to its officers and directors. $194,000 from accounts payable was reallocated from accounts payable to obligation to issue as this amount was misclassified to accounts payable as at December 31, 2020. As at December 31, 2021, the Company has a balance owing of $438,433, with $397,850 recorded in obligation to issue shares and the remaining in accounts payable.

As at December 31, 2021, obligation to issue shares include $1,250 of bonus shares payable to an officer of the Company, pursuant to the Company's annual remuneration review of 2021.

Stock options:

The Company has an equity incentive plan in place under which it is authorized to grant options or performance rights to executive officers and directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company, and the amount approved for the purposes of the ASX rules, being up to 7,000,000 performance rights. 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.

(Expressed in Canadian Dollars)

7. Share Capital – *continued*

Stock options: – continued

On September 27, 2019, the Company granted to directors, officers and employees a total of 3,272,353 stock options under the Company's stock option plan. 2,181,625 have a two-year term from issuance date exercisable at a price of $0.33 per share, vesting over a four-month period from the grant date. 1,090,728 have a three-year term from issuance date exercisable at a price of $0.75 per share, vesting over a four-month period post the Company receiving the shareholder approvals required by the TSXV on August 2, 2019. The value of the options granted was determined to be $329,835. During the year ended December 31, 2021, the Company recorded share-based compensation of $Nil (2020 - $12,320) for the options vested.

On April 30, 2020, the Company granted 237,620 options to directors and officers of the Company, of which 118,810 are exercisable at $0.33 per share for a period of two years and 118,810 are exercisable at $0.75 per share for a period of three years. The Company has granted an additional 757,661 stock options to various directors, officers, employees and consultants of the Company, which are exercisable at a price of $0.255 for a period of three years. The total fair value of the options granted and vested was determined to be $167,452.

On January 8, 2021, the Company granted 2,004,506 options with a three-year term to certain directors, officers, employees and consultants of the Company, which are exercisable at $0.445 per share within the first two-year period and $0.48 per share in the final third year. The total fair value of the options granted and vested was determined to be $393,392.

On March 26, 2021, the Company recorded an obligation to issue 10,000,000 stock options as share issuance cost for the successfully completed initial public offering on the ASX of $9,620,000 (A$10,000,000) that closed during the year ended December 31, 2021. Each option is exercisable at $0.29 (A$0.30) per share for a period of three years. The fair value of the options was determined to be $1,700,078.

On October 1, 2021, the Company announced Board approvals of a new Equity Incentive Plan ("EIP") and issuance of stock options. Under the EIP, the Company granted 7,580,575 options with a 2.5-year term to certain directors, officers, employees and consultants of the Company, which are exercisable at $0.18 (A$0.20) per share within the first 18-month period and $0.28 (A$0.30) per share after 18 months. The total fair value of the options granted and vested was determined to be $631,739.

During the year ended December 31, 2021, $36,336 of share-based payment was reallocated from prepaid expenses to statement of loss and comprehensive loss.

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

	October 1, 2021	March 26, 2021	January 8, 2021	April 30, 2020	April 30, 2020	September 27, 2019
Expected dividend yield	0%	0%	0%	0%	0%	0%
Expected stock price volatility	136.19%	136.49	125.36%	129.61%	142.81%	113%
Risk free rate	0.50%	0.23%	0.18%	0.29%	0.29%	1.51%
Forfeiture rate	0%	0%	0%	0%	0%	0%
Expected life of options	2.5 years	3 years	3 years	3 years	2 years	3 years

During the year ended December 31, 2021, 2,843,814 stock options (2020 - 166,664) expired unexercised.

(Expressed in Canadian Dollars)

7. Share Capital – *continued*

Stock options: – continued

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

	Number of options	Weighted average exercise price
Balance outstanding – December 31, 2019	**4,101,206**	**$0.63**
Granted	118,810	0.33
Granted	118,810	0.75
Granted	757,661	0.26
Expired	(166,664)	0.60
Balance outstanding – December 31, 2020	**4,929,823**	**$0.56**
Granted	2,004,506	0.48
Granted	7,580,575	0.28
Expired	(131,088)	1.29
Expired	(131,088)	1.62
Expired	(200,007)	1.58
Expired	(200,006)	1.13
Expired	(2,181,625)	0.33
Balance outstanding – December 31, 2021	**11,671,090**	**$0.36**

The weighted average life of the stock options are 1.98 years.
The weighted average price for options granted during 2021 was $0.32.

As at December 31, 2021, the following stock options are outstanding and exercisable:

Number	Price per share	Expiry date	Options exercisable
1,090,728	$0.75	September 27, 2022	1,090,728
757,661	$0.26	April 30, 2023	757,661
118,810	$0.33	April 30, 2022	118,810
118,810	$0.75	April 30, 2023	118,810
2,004,506	$0.48	January 8, 2024	2,004,506
7,580,575	$0.28	March 31, 2024	7,580,575
11,671,090	**$0.36**		**11,671,090**

Warrants:

On August 26, 2020, the Company issued 17,763,962 warrants with a fair value of $Nil 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 $0.75 per warrant. The fair value was determined using the residual value method.

(Expressed in Canadian Dollars)

7. Share Capital – *continued*

Warrants: – continued

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

	Number of warrants	Weighted average exercise price
Balance – December 31, 2019	**20,838,321**	**$0.75**
Issued	17,763,962	0.75
Balance – December 31, 2020	**38,602,283**	**$0.75**
Expired	(20,838,321)	0.75
Balance – December 31, 2021	**17,763,962**	**$0.75**

The weighted average life of the warrants is 0.65 year. As of December 31, 2021, the following warrants are outstanding and exercisable:

Number	Price per share	Expiry date
17,763,962	**$0.75**	August 26, 2022

During the year ended December 31, 2021, 20,838,321 warrants (2020 - Nil) expired unexercised.

Performance rights:

In December 2021, the Company granted 5,520,449 performance rights to certain directors and officers of the Company, pursuant to the Company's new EIP. 4,535,385 of the performance rights are vesting two years from the issue date, 454,154 performance rights are vesting one year from the issue date, and 530,910 performance rights are vesting 1/3 each of the calendar years ended 2021, 2022, and 2023. During the year ended December 31, 2021, the Company recorded share-based compensation of $57,573 for the performance rights vested.

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.

Exchange gains and losses arising from translation of foreign currency denominated transactions are included in foreign currency translation reserve.

8. Segmented Information

The Company operates in two operating segments being the acquisition and exploration of exploration and evaluation assets in Mongolia and Australia. The Company's head office is located in Canada, and all of the Company's non-current assets are located in Mongolia and Australia as follows.

In thousand $		Mongolia		Australia		Total
Balance at December 31, 2021						
Mineral properties	$	1,379	$	9,278	$	10,657
Equipment	$	76	$	-	$	76

In thousand $		Mongolia		Australia		Total
Balance at December 31, 2020						
Mineral properties	$	20,350	$	3,284	$	23,634
Equipment	$	92	$	-	$	92

9. Related Party Transactions

The Company incurred the following amounts for related party services:

a) During the year ended December 31, 2021, the Company incurred $86,300 (2020 - $7,380) to a company with an officer in common for management and accounting services.

b) During the year ended December 31, 2021, the Company incurred $406,182 (2020 - $345,144) to an officer and a company with an officer in common for management services.

c) During the year ended December 31, 2021, the Company incurred director's fees of $314,000 (2020 - $384,000) to current directors.

d) During the year ended December 31, 2021, the Company incurred consulting fees of $20,000 (2020 - $20,000) to a director of the Company.

e) At December 31, 2021, the Company owed $498,474 (2020 - $375,206) in accrued directors' fees and management and accounting fees in accounts payable and obligation to issue shares.

f) During the year ended December 31, 2021, the Company issued 926,739 common shares to settle $252,001 payables owing to officers and directors of the Company. During the year ended December 31, 2020, the Company issued 827,824 common shares to settle $144,000 payables owing to officers and directors of the Company.

9. Related Party Transactions - *continued*

Compensation of key management personnel

In thousand $		**December 31, 2021**		December 31, 2020
Management, chairman, directors, and audit committee fees	**$**	**826**	$	823
Share-based payments*		**932**		207
	$	**1,758**	$	1,030

** The estimated fair value of the stock options vested 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):*		**December 31, 2021**		December 31, 2020
Amortization capitalized to exploration and evaluation assets	**$**	**83**	$	129
Shares issued in settlement of debt or services	**$**	**359**	$	144
Shares issued for exploration and evaluation assets	**$**	**-**	$	598

Supplemental Disclosure of Cash and Cash Equivalents *('000):*		**December 31, 2021**		December 31, 2020
Cash at bank	**$**	**4,831**	$	4,438
Bank term deposit		**-**		23
	$	**4,831**	$	4,461

11. Equipment

Net carrying costs at December 21, 2021 and 2020 are as follows ('000):

		Computers		Exploration Equipment		Total
Cost						
Balance as at December 31, 2019	$	25	$	1,051	$	1,076
Additions		-		58		58
Balance as at December 31, 2020		25		1,109		1,134
Additions		-		67		67
Balance as at December 31, 2021	$	25	$	1,176	$	1,201
Accumulated amortization and impairment						
Balance as at December 31, 2019	$	(22)	$	(891)	$	(913)
Amortization		(3)		(125)		(128)
Impairment		-		(1)		(1)
Balance as at December 31, 2020		(25)		(1,017)		(1,042)
Amortization		-		(83)		(83)
Balance as at December 31, 2021	$	(25)	$	(1,100)	$	(1,125)
Net book value						
At December 31, 2020	$	-	$	92	$	92
At December 31, 2021	**$**	**-**	**$**	**76**	**$**	**76**

12. 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.

During the year ended December 31, 2021, the Company's Mongolian subsidiary, Golden Grouse IBEX LLC ("GGI"), has received a tax act for 2.7 billion tugriks (MNT), approximately $950,000 (U.S.), from the Mongolian Tax Authority ("MTA").

The 2021 tax assessment comprises four items, of which the Company strongly refutes the merit of three including the very vast majority of the liability sought relating to the 2016 merger with IBEX (the agreed liability owed is 16.2 million MNT or approximately $5,700 (U.S.)).

The 2016 IBEX merger required a tax assessment, which followed an audit of the IBEX entity's prior-year periods and the on-shore and off-shore agreements to the merger (IBEX and parent entities). The 2016 tax assessment was relied upon by Mongolian government departments to facilitate the merger and was a condition precedent to close the merger with any adverse liability enabling both counterparties to withdraw

12. Contingencies - *continued*

from the merger (Note 6). In the Company's view, supported by three independent external legal opinions, the 2021 tax assessment's retrospective liability is not in line with the 2016 tax assessment and Mongolian law, and there is no basis for a different determination.

Shortly after the IBEX merger closed, in mid-2017, a tax audit commenced on the merged entity to validate that the merger transaction completed as it was presented to the Mongolian authorities in 2016. This review was only completed in the fourth quarter of 2020, with a fourth audit review team, including a team member from the original 2016 review, delivering the 2021 tax assessment. A statute of limitation for the MTA to review and retrospectively enable a contradictory tax act expired on February 10, 2021.

The exploration licenses included in the IBEX merger, and the core focus of the 2021 tax assessment, have been thoroughly explored, and subsequently all have been properly relinquished back to the State. The basis of the tax liability sought is referenced to the historical invested capital of the IBEX entity counterparty to the 2016 merger, all of which has since been fully written off.

The Company is pursuing its defence of the 2016 tax ruling and objection to the 2021 tax act via the Mongolian administrative courts. Subsequent to the 2021 tax assessment Kincora has executed a definitive agreement with RMM that provides significant upside to exploration, project generation and development successes in Mongolia without near to medium term funding obligations.

(Expressed in Canadian Dollars)

13. Income Tax

A reconciliation of income taxes at statutory rates is as follows:

		December 31, 2021		December 31, 2020
Loss for the year	**$**	(22,581,000)	$	(32,231,000)
Statutory tax rate				27%
Expected tax recovery		(5,724,000)		(8,687,000)
Permanent differences		(587,000)		9,850,000
Change in unrecognized deductible temporary differences		6,311,000		(1,163,000)
Total tax recovery	**$**	**-**	$	-

The significant components of the Company's unrecorded deferred tax assets and liabilities are as follows:

		December 31, 2021		December 31, 2020
Deferred tax assets				
Exploration and evaluation assets (liabilities)	**$**	4,558,000	$	(64,000)
Equipment		255,000		235,000
Share issuance costs		529.000		75,000
Non-capital losses available for future period		10,821,000		9,606,000
Allowable capital losses		185,000		185,000
Unrecognized deferred tax assets	**$**	16,348,000	$	10,037,000

The significant components of the Company's temporary differences and unused tax losses are as follows:

		December 31, 2021		December 31, 2020	Expiry Date Range
Exploration and evaluation assets	**$**	18,714,000	$	164,000	No expiry date
Equipment		1,000,000		917,000	No expiry date
Share issuance costs and other		1,961,000		279,000	2017-2021
Allowable capital losses		712,000		712,000	No expiry date
Non-capital losses available for future periods	**$**	37,295,000	$	32,859,000	2026-2041