

# First Quarter 2022 Financial Statements and Management's Discussion & Analysis

**Kincora Copper Limited**

ARBN: 645 457 763

Please find attached for release to the market, Kincora Copper Limited's First Quarter 2022 Financial Statements and Management's Discussion & Analysis, prepared in accordance with National Instrument 51-102 Continuous Disclosure Obligations and NI 51-102F1 Management's Discussion and Analysis, issued by the Canadian Securities Administrators, for lodgement on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR).

**May 13, 2022**

This announcement has been authorized for release by the Board of Kincora Copper Limited (ARBN 645 457 763)



**Kincora Copper Limited**  
*(An Exploration Stage Company)*

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*Expressed in Canadian Dollars*  
*(Unaudited – Prepared by Management)*

**For the three-month periods ended March 31, 2022 and 2021**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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

# Kincora Copper Limited

(An Exploration Stage Company)

## Interim Condensed Consolidated Statements of Financial Position

As at

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

Statement 1

	March 31, 2022	December 31, 2021
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 3,348	\$ 4,831
Receivables, prepaids and deposits	312	521
	<u>3,660</u>	<u>5,352</u>
Security deposits (Note 6)	210	201
Equipment (Note 11)	63	76
Exploration and evaluation assets (Note 6)	11,777	10,657
	<u>\$ 15,710</u>	<u>\$ 16,286</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable (Note 7 and 9)	\$ 362	\$ 636
Accrued liabilities	45	45
	<u>407</u>	<u>681</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	186,237	186,237
Share-based payment reserve (Note 7)	12,112	11,930
Obligation to issue shares (Note 7 and 9)	2,190	2,099
Foreign currency translation reserve	(214)	(247)
Deficit	(185,022)	(184,414)
	<u>15,303</u>	<u>15,605</u>
	<u>\$ 15,710</u>	<u>\$ 16,286</u>

**Nature of Operations and Going Concern** (Note 1)

**Contingencies** (Note 12)

Approved and authorized by the Board of Directors on May 13, 2022

"Ray Nadarajah"

Ray Nadarajah  
Director

"Sam Spring"

Sam Spring  
Director

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

# Kincora Copper Limited

Statement 2

(An Exploration Stage Company)

## Interim Condensed Consolidated Statements of Loss and Comprehensive Loss For the three-month periods ended March 31,

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

(Unaudited – Prepared by Management)

	2022	2021
<b>Expenses</b>		
Consultants (Note 9)	\$ 37	\$ 58
Consultants – Geologists (Note 9)	5	5
Consultants – Technical	19	19
Corporate administrative and office services (Note 9)	75	89
Directors and audit committee fees (Note 9)	61	61
Foreign exchange loss	13	38
Insurance	27	115
Investor relations	47	32
Legal and accounting	27	50
Management fees (Note 9)	75	75
Share-based compensation (Notes 7 and 9)	185	402
Transfer agent and filing fees	37	62
	<b>(608)</b>	<b>(1,006)</b>
<b>Net loss for the period</b>	<b>(608)</b>	<b>(1,006)</b>
Foreign currency translation	33	-
<b>Comprehensive loss for the period</b>	<b>\$ (575)</b>	<b>\$ (1,006)</b>
Loss per share – basic and diluted	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
Weighted average number of common shares outstanding (000's)	<b>120,712</b>	<b>73,294</b>

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

# Kincora Copper Limited

Statement 3

(An Exploration Stage Company)

## Interim Condensed Consolidated Statements of Cash Flows

For the three-month periods ended March 31,

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

(Unaudited – Prepared by Management)

Cash provided by (used in):	2022	2021
<b>Operating activities</b>		
Loss for the period:	\$ (608)	\$ (1,006)
Items not affected by cash:		
Obligation to issue shares	91	54
Share-based compensation	191	402
Changes in non-cash working capital items:		
Receivables, prepaids and deposits	200	18
Accounts payable and accrued liabilities	(274)	(299)
Net cash used in operating activities	(400)	(831)
<b>Investing activities</b>		
Acquisition of equipment	(7)	(29)
Security deposits	(9)	-
Exploration and evaluation asset expenditures	(1,100)	(861)
Net cash used in investing activities	(1,116)	(890)
<b>Financing activity</b>		
Proceeds from private placement, net of issue costs	-	9,620
Net cash provided by financing activity	-	9,620
<b>Effect of foreign exchange translation</b>	33	-
<b>Change in cash and cash equivalents</b>	(1,483)	7,899
Cash and cash equivalents – beginning of period	4,831	4,461
<b>Cash and cash equivalents – end of period</b>	\$ 3,348	\$ 12,360

### Supplemental Disclosure of Cash Flow Information (Note 10)

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

# Kincora Copper Limited

(An Exploration Stage Company)

Statement 4

## Interim Condensed Consolidated Statements of Changes in Shareholders' Equity For the three-month periods ended March 31, 2022 and 2021

(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, 2020	69,386,944	178,484	201	10,847	-	(161,833)	27,699
Shares issued for private placement, net	50,000,000	9,620	-	-	-	-	9,620
Shares issuance costs	-	(2,207)	1,700	-	-	-	(507)
Shares issued for settlement of debt	1,325,082	359	(193)	-	-	-	166
Shares for services to be issued	-	-	53	-	-	-	53
Share-based compensation	-	-	-	394	-	-	394
Loss for the period	-	-	-	-	-	(1,006)	(1,006)
<b>Balance, March 31, 2021</b>	<b>120,712,026</b>	<b>186,256</b>	<b>1,761</b>	<b>11,241</b>	<b>-</b>	<b>(162,839)</b>	<b>36,419</b>
Balance, December 31, 2021	120,712,026	186,237	2,099	11,930	(247)	(184,414)	15,605
Shares for services to be issued	-	-	91	-	-	-	91
Share-based compensation	-	-	-	182	-	-	182
Loss for the period	-	-	-	-	33	(608)	(575)
<b>Balance, March 31, 2022</b>	<b>120,712,026</b>	<b>186,237</b>	<b>2,190</b>	<b>12,112</b>	<b>(214)</b>	<b>(185,022)</b>	<b>15,303</b>

\*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 interim condensed consolidated financial statements.

# Kincora Copper Limited

*(An Exploration Stage Company)*

## Notes to the Interim Condensed Consolidated Financial Statements For the three-month periods ended March 31, 2022 and 2021

*(Expressed in Canadian Dollars)*

*(Unaudited – Prepared by Management)*

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### 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 25<sup>th</sup> Floor, 700 West Georgia Street, Vancouver, British Columbia, Canada V7Y 1D3.

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

The Company’s ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to continue operations. As at March 31, 2022, the Company has an accumulated deficit of \$185,022,000, a net loss for the three-month period ended March 31, 2022 of \$608,000, has working capital of \$3,253,000 and a cash balance of \$3,348,000. If the going concern assumption was not appropriate for these interim condensed 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.

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### 2. Basis of Preparation

#### *Statement of Compliance*

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



# Kincora Copper Limited

(An Exploration Stage Company)

## Notes to the Interim Condensed Consolidated Financial Statements For the three-month periods ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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### 2. Basis of Preparation – continued

#### *Statement of Compliance - continued*

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

These interim condensed consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

They have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these interim condensed consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these interim condensed consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2021 prepared in accordance with IFRS applicable to annual consolidated financial statements.

#### *Critical Accounting Estimates*

The preparation of these interim condensed consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the interim condensed 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.
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# Kincora Copper Limited

*(An Exploration Stage Company)*

## Notes to the Interim Condensed Consolidated Financial Statements

**For the three-month periods ended March 31, 2022 and 2021**

*(Expressed in Canadian Dollars)*

*(Unaudited – Prepared by Management)*

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### 3. Significant Accounting Policies

#### a) Basis of consolidation

The interim condensed 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.

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:

# Kincora Copper Limited

(An Exploration Stage Company)

## Notes to the Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

### 3. Significant Accounting Policies – continued

#### d) Exploration and evaluation assets – continued

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

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

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

#### e) Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the 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.

# Kincora Copper Limited

(An Exploration Stage Company)

## Notes to the Interim Condensed Consolidated Financial Statements For the three-month periods ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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### 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 three-month period ended March 31, 2022 and 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 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 ("C\$").

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.

#### Foreign operations

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.

# Kincora Copper Limited

*(An Exploration Stage Company)*

## Notes to the Interim Condensed Consolidated Financial Statements

**For the three-month periods ended March 31, 2022 and 2021**

*(Expressed in Canadian Dollars)*

*(Unaudited – Prepared by Management)*

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### 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 March 31, 2022 and December 31, 2021, 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.

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(An Exploration Stage Company)

## Notes to the Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

### 3. Significant Accounting Policies – continued

#### j) Impairment of assets – continued

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

#### 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;

# Kincora Copper Limited

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## Notes to the Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

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### 3. Significant Accounting Policies – *continued*

#### k) Financial Instruments - *continued*

##### Measurement - *continued*

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

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

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

##### Impairment of financial assets at amortized cost

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

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

##### 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

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For the three-month periods ended March 31, 2022 and 2021

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### 3. Significant Accounting Policies – continued

#### l) Leases – continued

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.

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### 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.

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# Kincora Copper Limited

(An Exploration Stage Company)

## Notes to the Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

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### 5. Management of Financial Risk

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

#### *Interest rate risk*

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

#### *Currency risk*

Currency risk is the risk that the fair values of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's operations are focused on 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 March 31, 2022, the Company had a cash balance of \$3,348,000 (December 31, 2021 - \$4,831,000) to settle current liabilities of \$407,000 ((December 31, 2021 - \$681,000). 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.

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### 5. Management of Financial Risk – continued

#### Liquidity risk - continued

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.

#### 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 three-month period ended March 31, 2022 (000's)

	Bronze Fox		Golden Grouse		Macquarie Arc		Total
Acquisition costs							
Acquisition & maintenance	\$	-	\$	-	\$	-	\$ -
Total current acquisition costs	\$	-	\$	-	\$	-	\$ -
Exploration costs							
Amortization	\$	11	\$	9	\$	-	\$ 20
Assaying		6		-		447	453
Camp		4		-		-	4
Drilling		-		-		112	112
Fuel		-		-		18	18
Geological/geophysics		2		2		-	4
License/fees/taxes		-		1		1	2
Rental/utilities		-		1		38	39
Salaries/labor		17		41		349	407
Supplies/safety gear		-		-		41	41
Transportation/travel		-		-		48	48
Total current exploration costs	\$	40	\$	54	\$	1,054	\$ 1,148
Total costs incurred during the period	\$	40	\$	54	\$	1,054	\$ 1,148
Balance, opening		1,175		204		9,278	10,657
Exclusivity payment received		(28)		-		-	(28)
Balance, ending	\$	1,187	\$	258	\$	10,332	\$ 11,777

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### 6. Exploration and Evaluation Assets – continued

Cumulative costs:					
Acquisition	\$	36,624	\$	1,094	\$ 773 \$ 38,491
Exploration		13,232		3,715	9,559 26,506
Exclusivity payment received		(171)		-	- (171)
Impairment		(48,498)		(4,551)	- (53,049)
	\$	1,187	\$	258	\$ 10,332 \$ 11,777

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
Sampling		-		-		-		-
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

# Kincora Copper Limited

(An Exploration Stage Company)

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### 6. Exploration and Evaluation Assets – continued

#### *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.

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.

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### 6. Exploration and Evaluation Assets – continued

#### *Exploration and evaluation assets – Mongolia – Golden Grouse - continued*

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.

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 March 31, 2022, a total of A\$185,000 was received from RMM.

During the three-month period ended March 31, 2022, 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 and the RMM transaction remains conditional as of March 31, 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<sup>2</sup> 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<sup>2</sup>. 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<sup>2</sup> 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<sup>2</sup> in the Macquarie Arc of the Lachlan Fold Belt in NSW, Australia.

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### 6. Exploration and Evaluation Assets – continued

*Exploration and evaluation assets – Australia – Direct pegging activity – continued*

Further direct application for the Condobolin East (164.2km<sup>2</sup>), gold-copper was made during the fourth quarter of 2021, which has since been awarded.

*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<sup>2</sup> 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 financier 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 \$225,900 in relation to RareX-Kincora claims as at March 31, 2022 (December 31, 2021: \$216,500).

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### 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 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.

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### 7. Share Capital – continued

*Share issuances: - continued*

b) 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 three-month period ended March 31, 2022, the Company accrued fees of \$90,750 (2021: \$90,750) to its officers and directors. As at March 31, 2022, the Company has a balance owing of \$530,433, with \$489,850 recorded in obligation to issue shares and the remaining in accounts payable.

As at March 31, 2022, 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.

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.

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### 7. Share Capital – continued

#### Stock options: – continued

During the three-month period ended March 31, 2022, \$3,450 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
Expected dividend yield	0%	0%	0%
Expected stock price volatility	136.19%	136.49	125.36%
Risk free rate	0.50%	0.23%	0.18%
Forfeiture rate	0%	0%	0%
Expected life of options	2.5 years	3 years	3 years

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

	Number of options	Weighted average exercise price
<b>Balance outstanding – December 31, 2020</b>	<b>4,929,823</b>	<b>\$0.56</b>
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
<b>Balance outstanding – December 31, 2021 and March 31, 2022</b>	<b>11,671,090</b>	<b>\$0.36</b>

The weighted average life of the stock options are 1.73 years.

The weighted average price for options granted during 2021 was \$0.32.

As at March 31, 2022, 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
<b>11,671,090</b>	<b>\$0.36</b>		<b>11,671,090</b>



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### 7. Share Capital – continued

#### 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.

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

	Number of warrants	Weighted average exercise price
<b>Balance – December 31, 2020</b>	<b>38,602,283</b>	<b>\$0.75</b>
Issued	(20,838,321)	0.75
<b>Balance – December 31, 2021 and March 31, 2022</b>	<b>17,763,962</b>	<b>\$0.75</b>

The weighted average life of the warrants is 0.41 year. As of March 31, 2022, the following warrants are outstanding and exercisable:

Number	Price per share	Expiry date
<b>17,763,962</b>	<b>\$0.75</b>	August 26, 2022

#### 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 three-month period ended March 31, 2022, the Company recorded share-based compensation of \$181,810 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.

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### 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.

<i>In thousand \$</i>	Mongolia		Australia		Total
<b>Balance at March 31, 2022</b>					
Mineral properties	\$	1,445	\$	10,332	\$ 11,777
Equipment	\$	63	\$	-	\$ 63

  

<i>In thousand \$</i>	Mongolia		Australia		Total
<b>Balance at December 31, 2021</b>					
Mineral properties	\$	1,379	\$	9,278	\$ 10,657
Equipment	\$	76	\$	-	\$ 76

### 9. Related Party Transactions

The Company incurred the following amounts for related party services:

- During the three-month period ended March 31, 2022, the Company incurred \$18,450 (2021 - \$18,450) to a company with an officer in common for management and accounting services.
- During the three-month period ended March 31, 2022, the Company incurred \$75,000 (2021 - \$75,000) to an officer and a company with an officer in common for management services.
- During the three-month period ended March 31, 2022, the Company incurred director's fees of \$78,500 (2021 - \$78,500) to current directors.
- During the three-month period ended March 31, 2022, the Company incurred consulting fees of \$5,000 (2021 - \$5,000) to a director of the Company.
- At March 31, 2022, the Company owed \$466,585 (December 31, 2021 - \$498,474) in accrued directors' fees and management and accounting fees in accounts payable and obligation to issue shares.
- During the three-month period ended March 31, 2021, the Company issued 926,739 common shares to settle \$252,001 payables owing to officers and directors of the Company. No shares were issued to settle payables owing to officers and directors of the Company during the three-month period ended March 31, 2022.

*Compensation of key management personnel*

<i>In thousand \$</i>	March 31, 2022		March 31, 2021	
Management, chairman, directors, and audit committee fees	\$	177	\$	177
Share-based payments*		171		331
	\$	348	\$	508

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

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### 10. Supplemental Disclosures of Cash Flow Information

Supplemental Disclosure of Non-Cash Financing and Investing Activities include ('000):	March 31, 2022	March 31, 2021
Amortization capitalized to exploration and evaluation assets	\$ 20	\$ 22
Shares issued in settlement of debt or services	\$ -	\$ 359

  

Supplemental Disclosure of Cash and Cash Equivalents ('000):	March 31, 2022	March 31, 2021
Cash at bank	\$ 3,348	\$ 12,337
Bank term deposit	-	23
	\$ 3,348	\$ 12,360

### 11. Equipment

Net carrying costs at March 31, 2022 and 2021 are as follows ('000):

	Computers	Exploration Equipment	Total
<b>Cost</b>			
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
Additions	-	7	7
<b>Balance as at March 31, 2022</b>	\$ 25 \$	1,183 \$	1,208
<b>Accumulated amortization and impairment</b>			
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)
Amortization	-	(20)	(20)
<b>Balance as at March 31, 2022</b>	\$ (25) \$	(1,120) \$	(1,145)
<b>Net book value</b>			
At December 31, 2021	\$ - \$	76 \$	76
<b>At March 31, 2022</b>	\$ - \$	63 \$	63

# Kincora Copper Limited

*(An Exploration Stage Company)*

## **Notes to the Interim Condensed Consolidated Financial Statements For the three-month periods ended March 31, 2022 and 2021**

*(Expressed in Canadian Dollars)*

*(Unaudited – Prepared by Management)*

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### **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 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.

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**Kincora Copper Limited**  
*(An Exploration Stage Company)*

**MANAGEMENT'S DISCUSSION AND  
ANALYSIS**

*Expressed in Canadian Dollars*

**FOR THE THREE-MONTH PERIOD ENDED  
MARCH 31, 2022**

**As at May 13, 2022**

## Introduction

The following Management's Discussion and Analysis ("MD&A") of the Company has been prepared as of May 13, 2022, and reported in Canadian dollars. This MD&A should be read in conjunction with the interim condensed consolidated financial statements of Kincora Copper Limited and the notes thereto for the three-month period ended March 31, 2022, which have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). In addition, the interim condensed 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.

Additional information relating to the Company, including most recent financial reports, are available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com), on the Australian Securities Exchange ("ASX") announcements platform under the Company's code 'KCC' and on the Company's website at [www.kincoracopper.com](http://www.kincoracopper.com).

## Description of Business

Kincora Copper Limited (the "Company" or "Kincora") is an active explorer and project generator focused on world-class copper-gold discoveries with the near-term ambition to become the leading listed pure play explorer in what we believe is one of the most significant gold rich porphyry regions in the world, the Lachlan Fold Belt ("LFB") of Australia.

The Company has assembled an industry leading technical team who have made multiple world-class copper and gold discoveries, who have "skin in the game" equity ownership, who are backed by a strong institutional shareholder base and more recently Australian capital market investors through a dual listing on the Australian Securities Exchange ("ASX") in March 2021.

Kincora's portfolio includes district scale landholdings and scale-able drill ready targets in both Australia and Mongolia's leading porphyry belts, the LFB 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.

In the last 6 months, drilling has taken place at the Company's Trundle, Nyngan and Fairholme projects in the Central West of New South Wales ("NSW"), with neighbouring explorer drilling testing common geochemical and geophysical anomalies at our Cundumbul project. Furthermore, the Company expanded its project portfolio via the direct application and securing the Mulla gold-copper project (covering 616km<sup>2</sup>).

Drilling results have been positive since drilling commenced at Trundle in April 2020, confirming our targeted geological setting, with Trundle situated in the western section of the Northparkes Intrusive Complex (the Northparkes mine situated in the eastern portion, hosting over 5.5Moz gold and 4.5Mt copper and being Australia's second largest porphyry mine). In the last quarter a new discovery, the Southern Extension Zone, has been made at the Trundle Park prospect at Trundle. Activities are taking place advancing the remainder of the 2,388km<sup>2</sup> project pipeline in NSW, including having completed one hole with State co-operative funding support (for up to A\$120,000) for drilling the Nyngan porphyry project and having completed drilling at Gateway prospect at the Fairholme gold-base metals project (funding A\$200,000). Subsequent to period end, the Company received a further three project grants for co-operative funding to include the Fairholme, Jemalong and Nevertire projects for total financial support of A\$389,500.

The State co-operative funding program is another example of the favourable operating environment Kincora benefits from in NSW, particularly at a time of increasing hurdles and ESG considerations across the industry, and notably in the copper sector.

In Mongolia, during the second half of 2020 the Company gained a mining license for a key portion of the large copper-gold porphyry discovery at the Bronze Fox Intrusive Complex project, which is currently the focus a maiden JORC and/or NI 43-101 resource<sup>1</sup>. Encouraging field results have taken place in both the 2020 and 2021 field seasons at the adjacent Tourmaline Hills Intrusive Complex project, with a new intrusive complex discovered on the southern portion of the same license during 2021 (Shuteen North).

Kincora's Mongolian assets are the focus of an agreement with Resilience Mining Mongolia ("RMM"). The transaction with RMM provides Kincora significant upside to exploration, project generation and development successes for the Mongolia portfolio, and enables a streamline in focus for our NSW portfolio and strategy.

On March 26<sup>th</sup>, 2021, the Company was admitted to the official list of the ASX with official quotation of the Company's Chess Depositary Interests ("CDI's") representing fully paid ordinary shares at a ratio of 1:1. The listing commenced on March 30<sup>th</sup>, 2021 following the Company having raised \$9,620,000 (A\$10,000,000) pursuant to the offer under its prospectus dated March 1<sup>st</sup>, 2021 by the issue of 50 million shares (settled on ASX in the form of CDIs) at an issue price of A\$0.20 per share.

Kincora has corporate offices in Vancouver and Melbourne, an operating office in Ulaanbaatar, current drilling activities at the Trundle and Fairholme projects in NSW and a year-round camp in the Southern Gobi.

The Company is a reporting issuer in Ontario, British Columbia and Alberta, Canada, with its common shares trading on the TSX Venture Exchange and CDIs trading on the ASX under the symbol **KCC**. As at May 4, 2022, the Company has 47.5 million shares on the TSX Venture Exchange and 73.2 million CDIs on the ASX.

For further information please refer to our website: [www.kincoracopper.com](http://www.kincoracopper.com)

## Operational and Corporate Highlights

*Highlights for the three-month period ended March 31, 2022 include:*

- **Drilling at the Trundle project:** Kincora has announced the discovery of a newly identified Southern Extension Zone at the Trundle Park mineralised system.

### Highlights:

- Assay results confirm diamond hole TRDD029 as an important new geological discovery along the Southern Extension Zone at Trundle Park:
  - o Cumulative gold and copper mineralisation across 196m returned in three skarn zones in TRDD029, including:
    - Upper Skarn: 36m @ 0.68 g/t gold and 0.29% copper.
    - Middle Skarn: 129m @ 0.17 gold and 0.12% copper, including:
      - 34m @ 0.38g/t gold and 0.30% copper.
  - Skarn mineralization and quartz sulphide veining in overlying volcanics in this Southern Extension Zone discovery provide important geological and mineral vectors for the targeted causative intrusive porphyry source.
  - An air-core drilling program of 50 holes for 1,550 metres completed at the Trundle project, testing the wider intrusive complex and extent of identified anomalous copper-gold mineralisation at open pit target depths to the north of Trundle Park.

The latest assay results and drilling update on the Southern Extension Zone discovery are included in the Subsequent Events Section of this MD&A.

- **Co-operative funding grants:** On January 31, 2022, the Company announced the awarding of three separate project drilling grants totaling A\$389,500 under the latest New Frontiers Cooperative Drilling program (Round Four) from the NSW Government (this is in addition to the existing A\$120,000 grant for the Nyngan project from Round Three). Grants were received for the Fairholme, Jemalong and Nevertire projects, supporting the completed five-hole diamond drilling program at the Gateway prospect within the Fairholme project and for a completed 9-hole follow up air-core program (with assay results and review pending).

The grants follow a competitive expert panel review process, monies are non-dilutionary and fund direct per meter drilling costs on a matched dollar-for-dollar basis. Kincora notes other grants issued to neighboring explorers for drilling on adjacent licenses and potentially common mineral systems to our Trundle and Cundumbul projects.

- **Mongolian exploration and corporate update:** On February 11, 2022, the Company provide a positive exploration update on 2021 field season results from activities in Mongolia and announced a conditional extension to the existing corporate agreement covering the Mongolian portfolio with Resilience Mining Mongolia.

Surface mapping, rock chip sampling and ground magnetics have defined multiple porphyry targets at newly identified Shuteen North prospect, associated with the regionally significant Shuteen Intrusive Complex. This is the third intrusive complex identified on the adjacent two licenses at the Bronze Fox project.

Further mapping, rock chip and soil sampling, coupled with ground magnetics, expanded the mineralised system and refined mineralising controls at the West Fox prospect, which is situated on the western margin of the Tourmaline Hills Intrusive Complex.

On March 1, 2022, the Company announced Resilience Mining Mongolia had commenced (at Resilience's expense) resource estimate work to convert the Exploration Target to a JORC and/or NI 43-101 resource for the Bronze Fox Intrusive Complex<sup>1</sup>.

<sup>1</sup> Resilience to convert (at Resilience's expense) the existing exploration target<sup>2</sup> for Bronze Fox to a JORC &/or NI 43-101 resource prior to IPO on the ASX with a deadline date provide for April 15<sup>th</sup>, 2022.

<sup>2</sup> "76 holes for 24,129m supports an exploration target of 416-428Mt at 0.26-0.30% Cu for up to 2,437 Mlb copper & 0.84 Moz gold or 1.3-1.5Mt CuEq.

*This estimate of the Exploration Target is conceptual in nature and there is currently insufficient exploration to define a mineral resource. It is uncertain if further exploration will result in the target being delineated as a mineral resource. Since, some 24,000 m of drill core at the Bronze Fox Intrusive Complex has been reviewed and relogged by Kincora, adding to 8,000 m previously relogged.*

*This exercise addressed an issue with geological data quality that prevented reporting of a Mineral Resource in accordance with JORC and NI43-101 guidelines. A conceptual study undertaken at the same time as the Exploration Target explored the potential for a small, near surface oxide SX-EW project at Bronze Fox."*

Sourced from the Mining Associates Technical Export Report February 25<sup>th</sup>, 2021. Please refer to this report for further details.



- **First phase drilling results and commencement of phase two at the Fairholme project:** On March 31, 2022, the Company provided an exploration update for drilling activities at the Fairholme project, located in the Macquarie Arc of the Lachlan Fold Belt in NSW, Australia.

Highlights:

- Air-core drilling program commenced at up to six prospects, including the Gateway and Anomaly 2 prospects commenced, seeking to follow up and expand previous geochemical anomalies, often with coincident geophysical anomalies across the wider Fairholme project
- Maiden completed 5-holes for 1,684 metres diamond-drilling program by Kincora at the Gateway prospect returned broad anomalous copper, gold and base metal mineralisation (eg KFHD003 with 80m @ 0.11 g/t gold & 0.16% copper), with localised higher grade zones (eg KFHD001 with 1m @ 1.42 g/t gold & 2m @ 0.91 g/t gold), and, identified zonation and controls to mineralisation. The system's strike at Gateway is over 600m with the commenced 9-hole air-core program focused on strike extension and higher grade potential.

*Highlights for event subsequent to the three-month period ended March 31<sup>st</sup>, 2022 include:*

- **Drilling update at the Trundle project:** Subsequent to period end, the Company provided an exploration update from continuing drilling at Trundle Park prospect situated at the brownfield Trundle project.

Highlights:

- Assay results for TRDD030 return cumulative gold and copper mineralization across 164 metres in three skarn zones:
  - Localized higher-grade intervals of up to 1.68 grams per tonne gold and 3.61 per cent copper;
  - Middle skarn: 29 m at 0.54 g/t gold and 0.22 per cent copper, including five m at 1.46 g/t gold and 0.56 per cent copper;
  - Lower skarn: 22 m at 0.51 g/t gold.
- Most recent hole TRDD032 has intersected cumulative skarn intervals of over 170 metre below multiple zones and phases of moderate to strong potassic and later epidote alteration, in places cut by quartz veinlets with chalcopyrite, bornite and covellite mineralization in volcanics.
- Assay results pending for completed holes TRDD031 and TRDD032
- Tabular, bedded, mineralized skarn system across three zones confirmed by holes TRDD029, TRDD030, TRDD031 and TRDD032 over 325 metre northwest-southeast strike and over 225 metre west-east wide (and open) in the Southern Extension Zone discovery.
- Skarn alteration, widths and mineral zonation, coupled with sulphide veining in overlying volcanics, supports working interpretation of targeted causative intrusive source on a lateral setting.
- Hole TRDD033 commenced stepping out a further 225 metre east and testing the southern extension for mineralized intrusions.
- Internal and external specialist geological reviews of the southern extension zone commenced, seeking to maximize vectors for follow-up drilling.
- Assay results are pending for eight prospects across the Trundle and Fairholme projects, including for two diamond holes (from the SEZ discovery) and 72 air core holes. Within the Mongolian license portfolio, completion of resource estimate work for the Bronze Fox project is expected shortly.

A full summary of significant intervals for completed drilling at the Trundle project are available on Kincora's website under: <https://kincoracopper.com/the-trundle-project>.

Further details on the Trundle project and recent drill results are also available in the latest corporate presentation available at: <https://kincoracopper.com/corporate-presentation>.

**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 Paul Cromie (BSc Hons. M.Sc. Economic Geology, PhD, member of the Australian Institute of Mining and Metallurgy and Society of Economic Geologists), Exploration Manager Australia, who is the Qualified Persons for the purpose of NI 43-101.*

**JORC Competent Person Statement**

*Information that relates to Exploration Results, Mineral Resources or Ore Reserves has been reviewed and approved by Mr. Paul Cromie, a Qualified Person under the definition established by JORC and have sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaking to qualify as a Competent Person as defined in the 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’.*

*Paul Cromie (BSc Hons. M.Sc. Economic Geology, PhD, member of the Australian Institute of Mining and Metallurgy and Society of Economic Geologists), is Exploration Manager Australia for the Company. Mr. Paul Cromie consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

*The review and verification process for the information disclosed herein for the Trundle project has included the receipt of all material exploration data, results and sampling procedures of previous operators and review of such information by Kincora’s geological staff using standard verification procedures.*

**Results of Operations***Three-Month Period Ended March 31<sup>st</sup>, 2022*

The Company’s loss for the three-month period ended March 31<sup>st</sup>, 2022 (the “Current Period”) was \$608,000 or \$0.01 per share as compared with \$1,006,000 or \$0.01 per share for the three-month period ended March 31<sup>st</sup>, 2021 (the “Comparative Period”).

General and administrative expenses were \$398,000 lower in the Current Period at \$608,000 compared with \$1,006,000 in the Comparative Period. This difference was due to lower consultants (\$37,000 versus \$58,000), lower corporate administrative and office services (\$75,000 versus \$89,000), lower foreign exchange loss (\$13,000 versus \$38,000), lower insurance cost (\$27,000 versus \$115,000), lower legal and accounting (\$27,000 versus \$50,000), lower share-based compensation (\$185,000 versus \$402,000), and lower transfer agent and filing fees (\$37,000 versus \$62,000). These decreases were offset by higher investor relations (\$47,000 versus \$32,000).

**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.

	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
<i>In thousand \$</i>	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Financial Results</b>								
Net loss for period	(608)	(1,185)	(424)	(19,966)	(1,006)	(466)	(30,261)	(1,123)
Basic and diluted loss per share	(0.01)	(0.01)	(0.00)	(0.17)	(0.01)	(0.01)	(0.17)	(0.01)
Exploration expenditures, net of impairment (recovery)	1,120	1,352	2,154	(17,366)	883	1,410	(28,978)	(270)
<b>Financial Position</b>								
Cash and cash equivalents	3,348	4,831	6,736	9,031	12,360	4,461	6,021	2,153
Exploration and evaluation assets	11,777	10,657	9,305	7,151	24,517	23,634	22,224	51,202
Total assets	15,710	16,286	16,693	16,702	37,294	28,531	28,663	53,661
Shareholders' equity	15,303	15,605	15,999	16,287	36,419	27,699	28,146	53,181

**Liquidity and Capital Resources**

As of March 31<sup>st</sup>, 2022, the Company had \$3,348,000 in cash.

On March 26<sup>th</sup>, 2021, the ASX announced that the Company was admitted to the official list of ASX Limited with official quotation of the Company's CDI's to commence on March 30<sup>th</sup>, 2021, following the Company having raised \$9,620,000 (A\$10,000,000) in a heavily oversubscribed offering pursuant to its prospectus dated March 1<sup>st</sup>, 2021, by the issue of 50,000,000 shares (settled on the ASX in the form of CDIs). 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 March 31<sup>st</sup>, 2022. 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.

The Company does not have any positive 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, the novel coronavirus (COVID-19) pandemic, cost pressures and results of exploration activities, management constantly reviews expenditures and exploration programs and equity markets.

As at March 31<sup>st</sup>, 2022, the Company had an accumulated deficit of \$185,022,000 working capital of \$3,253,000 and a cash balance of \$3,348,000, and a net loss for the three-month period ended March 31<sup>st</sup>, 2022 of \$608,000.

During the three-month period ended March 31<sup>st</sup>, 2022, the Company had cash of \$400,000 used in operating activities, \$Nil provided from financing activity, and \$1,116,000 used in investing activities 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 positive 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 caliber of its management, corporate activity and exploration results. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities and industry conditions. 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 three-month period ended March 31, 2022, the Company incurred \$18,450 (2021 - \$18,450) to a company with an officer in common for management and accounting services.
- b) During the three-month period ended March 31, 2022, the Company incurred \$75,000 (2021 - \$75,000) to an officer and a company with an officer in common for management services.
- c) During the three-month period ended March 31, 2022, the Company incurred director's fees of \$78,500 (2021 - \$78,500) to current directors.
- d) During the three-month period ended March 31, 2022, the Company incurred consulting fees of \$5,000 (2021 - \$5,000) to a director of the Company.
- e) At March 31, 2022, the Company owed \$466,585 (December 31, 2021 - \$498,474) in accrued directors' fees and management and accounting fees in accounts payable and obligation to issue shares.
- f) During the three-month period ended March 31, 2021, the Company issued 926,739 common shares to settle \$252,001 payables owing to officers and directors of the Company. No shares were issued to settle payables owing to officers and directors of the Company during the three-month period ended March 31, 2022.

### Compensation of key management personnel

<i>In thousand \$</i>	<b>March 31, 2022</b>	March 31, 2021
Management, chairman, directors, and audit committee fees	\$ 177	\$ 177
Share-based payments*	171	331
	<b>\$ 348</b>	<b>\$ 508</b>

\* The estimated fair value of the stock options vested during the comparative 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 March 31, 2022.

	Price (\$)	Expiry date	Number of common shares
Common shares, issued and outstanding			120,712,026
Securities convertible into common shares			
Warrants	<b>\$0.750</b>	<b>August 26, 2022</b>	17,763,962
Stock options	<b>various</b>	<b>various</b>	11,671,090
Performance rights		<b>Various</b>	5,520,449
			<b>155,667,527</b>

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 and are disclosed prior to the Company's ASX offering under the prospectus dated March 1<sup>st</sup>, 2021.

As of May 13, 2022, the Company has an obligation to issue 10,000,000 stock options as share issuance cost for successfully completed initial public offering on the ASX on March 26<sup>th</sup>, 2021.

## 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 a condition precedent to close the merger with any adverse liability enabling both counterparties to walk away from the merger. 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 has 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<sup>th</sup>, 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 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.

### **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.

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 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 March 31, 2022 to interest rate risk through its financial instruments.

#### *Currency Risk*

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*

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 held in Mongolia. As most of the Company's cash is held by three 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 March 31, 2022, the Company had a cash balance of \$3,348,000 (December 31, 2021 - \$4,831,000) to settle current liabilities of \$407,000 (December 31, 2021 - \$681,000). 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.



*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.

Confirmation or otherwise of our more advanced geological models, advancement of earlier stage project pipeline and exploration success is expected to materially impact the value of the Company. The ability of the Company to systematically advance its district scale project pipeline from a technical perspective is a fundamental value driver, upside and downside, to the Company and its valuation. The ability of the Company to commercially advance and effect its exploration strategy is also a fundamental value driver.

The Company will be required to negotiate access arrangements and pay compensation to landowners, local authorities, transitional land users, the NSW Government and others who may have an interest in the area covered by a tenement/license. The Company's ability to resolve access and compensation issues may have an impact on the future success and financial performance of the Company's operations.



The Company continues to closely monitor the development of the novel coronavirus (COVID-19), and its spread globally and within Australia. Early preventative measures were taken and a formal COVID-19 safety and management plan was implemented to modify how contractors and the Company conduct business and implement best practice recommendations and policies. Health and safety considerations, and appropriate risk assessments, continue to dictate various project generation functions, exploration and marketing activities.

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on senior management, the exploration team and contractors, who are an integral part of the business. Should there be resignations, there may be difficulties in recruiting similar high-quality personnel and overall team balance. There can be no assurance given that there will be no negative impact on the Company if one or more of these key team members cease their employment.

The Company's core focus is its relatively recent entry into NSW and the NSW project pipeline, with previous projects and subsidiaries viewed as non-core. The Company has announced a binding term sheet for its Mongolian assets with Resilience Mining Mongolia ("RMM") and notice of a Mongolian tax claim from the Mongolian Tax Authority ("MTA") relating to one of its subsidiaries. These non-core assets may have certain ongoing contractual obligations and operations, which have inherent business risk and potential legacy risks. The Company has been listed since 1983, operating in emerging and frontier markets such as Brazil and then Mongolia.

The material changes to known and unknown risks and uncertainties during the three-month period ended March 31<sup>st</sup>, 2022 have been noted in these accounts.

#### **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 condensed interim condensed consolidated financial statements for the three-month period ended March 31, 2022. These statements are available on Kincora's website at [www.kincoracopper.com](http://www.kincoracopper.com) or on its SEDAR Page Site accessed through [www.sedar.com](http://www.sedar.com) or the Australian Securities Exchange ("ASX") at <https://www2.asx.com.au>.

#### **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.

**This announcement has been authorized for release by the Board of Kincora Copper Limited (ARBN 645 457 763)**

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**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](http://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.