



Kincora Copper Limited

(An Exploration Stage Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Expressed in Canadian Dollars

(Unaudited - Prepared by Management)

For the six-month period ended June 30, 2019

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

Kincora Copper Limited

(An Exploration Stage Company)

Interim Condensed Consolidated Statements of Financial Position

As at,

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

(Unaudited - Prepared by Management)

Statement 1

ASSETS	June 30, 2019	December 31, 2018
Current		
Cash and cash equivalents	\$ 2,813	\$ 937
Funds held in trust (Note 7)	3,272	-
Receivables, prepaids and deposits	247	112
	<u>6,332</u>	<u>1,049</u>
Equipment (Note 11)	177	211
Exploration and evaluation assets (Note 6)	51,551	51,186
	<u>\$ 58,060</u>	<u>\$ 52,446</u>
LIABILITIES		
Current		
Accounts payable (Note 9)	\$ 906	\$ 711
Accrued liabilities	25	25
	<u>931</u>	<u>736</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	169,996	166,464
Obligation to issue shares (Note 7)	1,672	-
Share-based payment reserve (Note 7)	11,010	9,892
Deficit	(125,549)	(124,646)
	<u>57,129</u>	<u>51,710</u>
	<u>\$ 58,060</u>	<u>\$ 52,446</u>

Nature of Operations and Going Concern (Note 1)

Commitments and Contingencies (Note 12)

Subsequent Events (Note 13)

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

"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

(An Exploration Stage Company)

Statement 2

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

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

(Unaudited – Prepared by Management)

	Three-month period ended June 30, 2019	Three-month period ended June 30, 2018	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018
Expenses				
Bank charges and interest	\$ -	\$ -	\$ 1	\$ 1
Consultants	44	19	72	41
Consultants – Geologists (Note 9)	11	57	29	82
Consultants – Technical	4	40	44	81
Corporate administrative and office services (Note 9)	57	67	104	132
Directors and audit committee fees (Note 9)	67	40	104	121
Foreign exchange loss (gain)	(15)	55	(9)	91
Insurance	3	4	6	8
Investor relations	66	26	86	44
Legal and accounting (Note 9)	56	32	82	64
Management fees (Note 9)	204	73	275	143
Share-based compensation (Notes 7 and 9)	62	68	62	120
Transfer agent and filing fees	15	6	34	24
Travel	14	19	38	39
	588	506	928	991
Other items				
Gain on sale of assets (Note 11)	-	(1)	-	(19)
Gain on settlement of debt (Note 7)	-	(23)	(25)	(47)
Loss on impairment of exploration and evaluation assets (Note 6)	-	81	-	81
Loss and comprehensive loss for the period	\$ 588	\$ 563	\$ 903	\$ 1,006
Loss per share – basic and diluted	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Weighted average number of common shares outstanding (000's)	81,107	69,163	76,030	69,056

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 six-month period ended June 30,

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

(Unaudited - Prepared by Management)

Cash provided by (used in):	2019	2018
Operating Activities		
Loss for the period:	\$ (903)	\$ (1,006)
Items not affected by cash:		
Amortization	45	171
Gain on settlement of debt	(25)	-
Share-based compensation	62	120
Changes in non-cash working capital items:		
Receivables, prepaids and deposits	(135)	195
Accounts payable and accrued liabilities	377	49
Net cash used in operating activities	<u>(579)</u>	<u>(471)</u>
Investing Activities		
Acquisition of equipment	(81)	(189)
Exploration and evaluation asset expenditures	(295)	(444)
Net cash used in investing activities	<u>(376)</u>	<u>(633)</u>
Financing Activity		
Proceeds from private placement, net of issue costs	2,831	-
Net cash provided by financing activity	<u>2,831</u>	<u>-</u>
Change in cash and cash equivalents	1,876	(1,104)
Cash and cash equivalents – beginning of period	937	3,277
Cash and cash equivalents – end of period	\$ 2,813	\$ 2,173

Supplemental Disclosure of Cash Flow Information (Note 10)

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

Kincora Copper Limited

(An Exploration Stage Company)

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

As at June 30, 2019 and 2018

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

(Unaudited - Prepared by Management)

Statement 4

	Share capital (Number of Shares)	Share capital \$	Obligation to issue shares \$	Share-based payment reserve \$	Deficit \$	Total \$
Balance, December 31, 2017	68,854,222	166,269	-	9,790	(122,329)	53,730
Shares issued for settlement of debt	402,392	72	-	-	-	72
Share-based compensation	-	-	-	120	-	120
Loss for the period	-	-	-	-	(1,006)	(1,006)
Balance, June 30, 2018	69,256,614	166,341	-	9,910	(123,335)	52,916
Balance, December 31, 2018	70,091,059	166,464	-	9,892	(124,646)	51,710
Shares issued for private placement, net	45,793,000	3,375	-	1,056	-	4,431
Shares issued for settlement of debt	1,348,789	157	-	-	-	157
Obligation to issue shares	-	-	1,672	-	-	1,672
Share-based compensation	-	-	-	62	-	62
Loss for the period	-	-	-	-	(903)	(903)
Balance, June 30, 2019	117,232,848	169,996	1,672	11,010	(125,549)	57,129

(See 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 six-month period ended June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

1. Nature of Operations and Going Concern

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

The head office of the Company is located at Suite #400 - 837 West Hastings Street, Vancouver, British Columbia V6C 3N6 and the registered address and records office is located at 1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117, Vancouver, British Columbia, V6E 4N7.

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 June 30, 2019, the Company has an accumulated deficit of \$125,549,000, a net loss for the six-month period ended June 30, 2019 of \$903,000 and has working capital of \$5,401,000. If the going concern assumption was not appropriate for these interim condensed consolidated financial statements, adjustments would be necessary in the carrying values of assets, liabilities, reported income and expenses and the statement of financial position classifications used. Such adjustments could be material.

2. Basis of Preparation

Statement of Compliance

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

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

Kincora Copper Limited

(An Exploration Stage Company)

Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

2. Basis of Preparation – continued

Critical Accounting Estimates

The preparation of these interim condensed consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

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

a) Basis of consolidation

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

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.

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Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

3. Significant Accounting Policies – continued

c) Cash and cash equivalents

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

d) Exploration and evaluation assets

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

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

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

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

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

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

e) Loss per share

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

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Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

3. Significant Accounting Policies – continued

f) Equipment

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

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

g) Income taxes

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

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

h) Functional and presentation currency

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

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

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

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Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

3. Significant Accounting Policies – *continued*

i) Provision for environmental rehabilitation

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

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

j) Impairment of assets

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

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

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

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

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Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

3. Significant Accounting Policies – continued

k) Change in accounting policies – Financial Instruments

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

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

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.

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

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

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

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.

Kincora Copper Limited

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Notes to the Interim Condensed Consolidated Financial Statements

For the six-month period ended June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

3. Significant Accounting Policies – continued

k) Change in accounting policies – Financial Instruments – continued

Measurement – continued

Financial assets and liabilities at FVTPL

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

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

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

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

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

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

Impairment of financial assets at amortized cost

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

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

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Notes to the Interim Condensed Consolidated Financial Statements For the six-month period ended June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited - Prepared by Management)

3. Significant Accounting Policies – *continued*

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

Derecognition

Financial assets

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

Financial liabilities

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

4. Capital Management

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

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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 Mongolia, where many exploration and administrative expenses are incurred in the Mongolian Tugrik and the US Dollar. The Company's ability to advance funds to Mongolia is subject to changes in the valuation of the Tugrik and the US dollar as well as rules and regulations of the Mongolian government. Fluctuations in the value of the Tugrik and the US dollar may have an adverse effect on the operations and operating costs of the Company. The Company does hold balances in foreign currencies, Mongolian Tugrik and United States dollar, to give rise to exposure to foreign exchange risk. Management believes this risk to be minimal.

Credit risk

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

Liquidity risk

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

As at June 30, 2019, the Company had a cash balance of \$2,813,000 (December 31, 2018 - \$937,000) to settle current liabilities of \$931,000 (December 31, 2018 - \$736,000)

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

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(Unaudited - Prepared by Management)

5. Management of Financial Risk – continued

Commodity price risk

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

6. Exploration and Evaluation Assets

Exploration and evaluation assets – Mongolia – Bronze Fox

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

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

	Balance – December 31, 2018	Exploration additions	Balance – June 30, 2019
Acquisition	\$ 2,524	\$ -	\$ 2,524
Assay	1,325	-	1,325
Camp	527	1	528
Amortization (Note 11)	417	64	481
Drilling	7,143	-	7,143
Environmental	2	-	2
Fuel	63	-	63
Geological/geophysics	1,023	1	1,024
License/fees/taxes	62	-	62
Management and planning	10	-	10
Meals and entertainment	1	-	1
Rental/utilities	231	2	233
Salaries	828	50	878
Sampling	61	-	61
Supplies/safety gear	153	2	155
Transportation/travel	105	2	107
	14,475	122	14,597
RTO Acquisition of Bronze Fox	34,100	-	34,100
Total	\$ 48,575	\$ 122	\$ 48,697

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6. Exploration and Evaluation Assets - continued

Exploration and evaluation assets - Mongolia - Bronze Fox - continued

	Balance - December 31, 2017	Exploration additions	Balance - June 30, 2018
Acquisition	\$ 2,524	\$ -	\$ 2,524
Assay	1,310	15	1,325
Camp	513	9	522
Amortization (Note 11)	319	31	350
Drilling	7,143	-	7,143
Environmental	2	-	2
Fuel	63	-	63
Geological/geophysics	696	22	718
License/fees/taxes	18	-	18
Management and planning	10	-	10
Meals and entertainment	1	-	1
Rental/utilities	224	1	225
Salaries	716	46	762
Sampling	61	-	61
Supplies/safety gear	109	43	152
Transportation/travel	96	2	98
	13,805	169	13,974
RTO Acquisition of Bronze Fox	34,100	-	34,100
Total	\$ 47,905	\$ 169	\$ 48,074

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).

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6. Exploration and Evaluation Assets – continued

Exploration and evaluation assets – Mongolia – Golden Grouse - continued

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

	Balance – December 31, 2018	Exploration additions	Balance – June 30, 2019
Acquisition	\$ 1,094	\$ -	\$ 1,094
Amortization (Note 11)	210	6	216
Assay	28	1	29
Camp	-	2	2
Drilling	567	-	567
Geological/geophysics	266	-	266
Labour	602	157	759
License/fees/taxes	229	58	287
Mapping recovery	(21)	-	(21)
Meals and entertainment	50	-	50
Rental	48	11	59
Supplies/safety gear	81	1	82
Repairs and maintenance	19	-	19
Transportation	155	7	162
Impairment	(723)	-	(723)
Utilities	6	-	6
Total	\$ 2,611	\$ 243	\$ 2,854

	Balance – December 31, 2017	Exploration additions	Balance – June 30, 2018
Acquisition	\$ 1,094	\$ -	\$ 1,094
Amortization (Note 11)	192	9	201
Assay	25	2	27
Drilling	567	-	567
Geological/geophysics	152	-	152
Labour	244	151	395
Licenses/fees/taxes	5	136	141
Mapping recovery	(21)	-	(21)
Meals and entertainment	33	9	42
Rental	32	7	39
Supplies/safety gear	44	8	52
Repairs and maintenance	19	-	19
Transportation	86	34	120
Impairment	(61)	(81)	(142)
Utilities	6	-	6
Total	\$ 2,417	\$ 275	\$ 2,692

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7. Share Capital and Contributed Surplus

Authorized share capital: Unlimited Common shares without par value.

Share issuances:

- a) On February 16, 2018, the Company issued 152,172 shares to certain directors, officers and service providers for services rendered during the period from July 1, 2017 to September 30, 2017 in the amount of \$52,499, resulting in a gain on debt settlement of \$19,022.
- b) On February 16, 2018, the Company issued 40,220 shares to settle outstanding payables of \$13,876, resulting in a gain on debt settlement of \$5,028. This settlement did not result in any gain or loss being recorded.
- c) On May 11, 2018, the Company issued 210,180 shares to certain directors, officers and service providers for services rendered to the Company in the amount of \$52,500, resulting in a gain on debt settlement of \$23,100.
- d) On July 4, 2018, the Company issued 374,999 shares to certain directors, officers and service providers for services rendered to the Company in the amount of \$52,500.
- e) On September 28, 2018, the Company issued 388,887 shares to certain directors, officers and service providers for services rendered to the Company in the amount of \$52,500, resulting to a loss on debt settlement of \$9,722.
- f) On November 1, 2018, the Company issued 70,370 to certain directors and service providers for services rendered to the Company in the amount of \$9,500, resulting to a gain on debt settlement of \$352.
- g) On January 9, 2019, the Company issued 561,289 shares with a fair value of \$61,742 to certain directors, officers and service providers on account of services rendered to the Company in the amount of \$87,000, resulting in a gain on debt settlement of \$25,258.
- h) On February 20, 2019, the Company issued 787,500 shares to certain directors, officers and service providers on account of services of \$94,500.
- i) On June 11, 2019, the Company closed an oversubscribed private placement (*“Offering”*) for gross proceeds of \$6,251,500 through the issuance of 62,515,000 shares at a price of \$0.10 per share. Each unit is composed of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share at an exercise price of \$0.25 per warrant share for a period of two years from the date of closing of the private placement. The Company paid finders’ fees of \$146,807 in connection with this private placement.

Having completed an independent technical review of the Company’s targets and proposed work programs, LIM Asia Special Situations Master Fund Ltd. (*“LASSMF”*), the Company’s largest shareholder, was cornerstone to the Offering. Following discussions with the TSX Venture Exchange, LASSMF subscribed for 16,722,000 subscription receipts at a price of \$0.10 per subscription receipt instead of subscribing directly for the corresponding number of units. Under their terms, the subscription proceeds received of \$1,672,200 for the subscription receipts will be released from trust to the Company upon satisfaction of the final

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7. Share Capital and Contributed Surplus – continued

Share issuances: – continued

condition imposed by the Exchange, being receipt of disinterested shareholder approval to LASSMF retaining a control position and clearance of a personal information form (“PIF”), as required under Exchange policies, by a designated representative of LASSMF. Subsequent to period end, the condition has been satisfied, and the subscription receipts, without further consideration, were exchanged for the same number of units.

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

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

As at June 30, 2019, 45,793,000 units were issued related to this private placement for gross proceeds of \$4,579,300, of which \$1,600,000 was held in trust relating to conditions imposed by the TSX Venture Exchange on the LASSMF cornerstone position to the Offering.

As at June 30, 2019, a total of \$3,272,200 was held in trust related to this private placement relating to the aforementioned LASSMF investment and conditions imposed by the TSX Venture Exchange on the Century investment in the Offering. Conditions for both investments were satisfied post period end.

Stock options:

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

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

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

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

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7. Share Capital and Contributed Surplus – continued

Stock options: - continued

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

The Company granted to directors, officers and employees a total of 12,413,712 stock options under the Company's stock option plan, noting 2,596,627 existing stock options have been cancelled, and subject to shareholder approval and the acceptance of the TSX Venture Exchange, is to be reissued as part of the new grant.

Half the new options have a two-year term from issuance date exercisable at a price of \$0.11 per share and the other half being exercisable at \$0.25 per share with a three-year term from issuance. 5,874,136, split equally for the aforementioned terms, will vest over a four-month period from the issuance date. A further 3,272,200 options, split equally for the aforementioned terms, will vest over a four-month period post the conversion of 16,722,000 subscription receipts, and issued in the recently completed oversubscribed offering into units and the release from trust of 16,000,000 units sold in the same offering. 3,267,367 options, split equally for the aforementioned terms will vest over a four-month period post the Company receiving the shareholder approvals required by the Exchange. The fair value of 5,874,136 options granted without conditions was determined to be \$296,529, vesting over a four-month period from the grant date.

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

	June 18, 2019	June 18, 2019	August 9, 2018	July 30, 2018	May 10, 2018
Expected dividend yield	0%	0%	0%	0%	0%
Expected stock price volatility	106%	108%	104%	104%	120%
Risk free rate	1.36%	1.40%	2.09%	2.02%	1.93%
Forfeiture rate	0%	0%	0%	0%	0%
Expected life of options	3 years	2 years	2 years	2 years	2 years

During the six-month period ended June 30, 2019, the Company recorded share-based compensation of \$62,000 (2018 - \$120,000) for the options vested.

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

	Number of options	Weighted average exercise price
Balance outstanding – December 31, 2017	6,649,426	\$0.46
Granted	250,000	0.20
Expired	(2,301,281)	0.45
Expired	(634,882)	0.43
Expired	(634,883)	0.54
Granted	250,000	0.20
Balance outstanding – December 31, 2018	3,578,380	\$0.42
Granted	6,206,856	0.11
Granted	6,206,856	0.25
Cancelled	(2,596,627)	0.46
Balance outstanding – June 30, 2019	13,395,465	\$0.19

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7. Share Capital and Contributed Surplus – continued

Stock options: - continued

The weighted average life of the stock options are 2.35 years.

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

Number	Price per share	Expiry date	Options exercisable
51,408	\$0.430	January 23, 2021	51,408
51,407	\$0.540	January 23, 2021	51,407
378,938	\$0.445	November 16, 2019	378,938
250,000	\$0.200	May 10, 2020	250,000
125,000	\$0.200	July 30, 2020	125,000
125,000	\$0.200	August 9, 2020	125,000
6,206,856	\$0.110	June 18, 2021	611,889
6,206,856	\$0.250	June 18, 2022	611,889
13,395,465	\$0.190		2,205,531

Warrants:

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

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

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

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

	Number of warrants	Weighted average exercise price
Balance – December 31, 2017	12,289,792	\$0.468
Expired	(3,312,993)	0.530
Balance – December 31, 2018	8,976,799	\$0.445
Issued	45,793,000	0.250
Balance – June 30, 2019	54,769,799	\$0.282

The weighted average life of the warrants is 1.65 years.

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7. Share Capital and Contributed Surplus – continued

Warrants: - continued

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

Number	Price per share	Expiry date	Warrant exercisable
6,855,587	\$0.445	August 4, 2019	6,855,587
2,121,212	\$0.445	October 18, 2019	2,121,212
45,793,000	\$0.250	June 11, 2021	45,793,000
54,769,799	\$0.282		54,769,799

Reserves:

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

8. Segmented Information

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

9. Related Party Transactions

The Company incurred the following amounts for related party services:

- During the six-month period ended June 30, 2019, the Company incurred \$21,150 (2018 - \$39,900) to BridgeMark Financial Corp. and \$15,750 (2018 - \$Nil) to Regiis Oak Capital Corp., companies with an officer in common for management and accounting services.
- During the six-month period ended June 30, 2019, the Company incurred management fees of \$275,000 (2018 - \$142,500) to Spring Resources Pty Ltd., a company with an officer in common.
- During the six-month period ended June 30, 2019, the Company incurred director's fees of \$Nil (2018 - \$122,322) to three former directors and \$139,000 (2018 - \$Nil) to current directors.
- During the six-month period ended June 30, 2019, the Company incurred consulting fees of \$28,000 (2018 - \$34,000) to a director of the Company.
- At June 30, 2019, the Company owed \$333,204 (December 31, 2018 - \$205,574) in accrued directors' fees in accounts payable.

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9. Related Party Transactions – continued

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

Compensation of key management personnel

<i>In thousand \$</i>	June 30, 2019	June 30, 2018
Management fees, chairman, directors and audit committee fees	\$ 479	\$ 339
Share-based payments*	62	120
	\$ 541	\$ 459

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

10. Supplemental Disclosure of Cash Flow Information

Supplemental Disclosure of Non-Cash Financing and Investing Activities include ('000):	June 30, 2019	June 30, 2018
Amortization capitalized to exploration and evaluation assets	\$ 70	\$ -
Shares issued in settlement of debt	\$ 157	\$ 72

Supplemental Disclosure of Cash and Cash Equivalent ('000):	June 30, 2019	December 31, 2018
Cash at bank	\$ 2,790	\$ 914
Bank term deposit	23	23
	\$ 2,813	\$ 937

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11. Equipment

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

	Computers	Exploration Equipment	Total
Cost			
Balance as at December 31, 2017	\$ 16	\$ 727	\$ 743
Additions	6	187	193
Disposal	-	(32)	(32)
Balance as at December 31, 2018	\$ 22	\$ 882	\$ 904
Additions	-	81	81
Balance as at June 30, 2019	\$ 22	\$ 963	\$ 985
Accumulated amortization			
Balance as at December 31, 2017	\$ (14)	\$ (385)	\$ (399)
Amortization	(4)	(322)	(326)
Disposal	-	32	32
Balance as at December 31, 2018	\$ (18)	\$ (675)	\$ (693)
Amortization	(2)	(113)	(115)
Balance as at June 30, 2019	\$ (20)	\$ (788)	\$ (808)
Net book value			
At December 31, 2018	\$ 4	\$ 207	\$ 211
At June 30, 2019	\$ 2	\$ 175	\$ 177

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

12. Commitments and Contingencies

Contingencies

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

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13. Subsequent Events

On August 2, 2019, the Company satisfied TSX Venture Exchange conditions for the cornerstone investments of two large institutional natural resource investors and their insider positions.

The LASSMF and Century were issued 16,722,000 units, converted from the same number of subscription receipts, and 16,000,000 units, released from trust, respectively.

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