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, 2014

NOTICE OF NO REVIEW BY AUDITOR

The attached interim condensed consolidated financial statements that follow have been prepared by management of Kincora Copper Ltd. and have not been reviewed by the Company's auditors

Kincora Copper Limited

Statement 1

(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)

ASSETS		**June 30, 2014**		December 31, 2013 *(Audited)*
Current				
Cash and cash equivalents	**$**	**4,466**	$	1,008
Receivables, prepaids and deposits		**263**		47
		4,729		1,055
Equipment *(Note 12)*		**82**		76
Exploration and evaluation assets *(Note 6)*		**44,328**		43,737
	$	**49,139**	$	44,868
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**273**	$	219
Due to related parties		**-**		14
		273		233
Convertible debenture *(Note 13)*		**2,108**		2,108
		2,381		2,341
SHAREHOLDERS' EQUITY				
Share capital – *Statement 4 - (Note 7)*	**$**	**153,897**	$	149,164
Contributed surplus – *Statement 4 - (Note 7)*		**6,984**		6,420
Equity component - convertible debenture – *Statement 4 (Note 13)*		**721**		721
Accumulated other comprehensive gain – *Statement 4*		**118**		118
Deficit - *Statement 4*		**(114,962)**		(113,896)
		46,758		42,527
	$	**49,139**	$	44,868

Nature of Operations and Going Concern *(Note 1)*
Commitments and Contingencies *(Note 11)*
Subsequent Event *(Note 14)*

Approved and authorized by the Board of Directors on August 28, 2014

"Luke Leslie"	*"John Rickus"*
Luke Leslie	John Rickus
Director	Director

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

Kincora Copper Limited

Statement 2

(An Exploration Stage Company)

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

For the,

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

(Unaudited – Prepared by Management)

	For the three-month period ended June 30, 2014	For the three-month period ended June 30, 2013	**For the six-month period ended June 30, 2014**	For the six-month period ended June 30, 2013
Expenses				
Bank charges and interest	**$ 2**	$ 1	**$ 3**	$ 1
Corporate administrative services	**46**	164	**133**	278
Directors and audit committee fees	**38**	27	**63**	60
Foreign exchange loss	**38**	(69)	**63**	(83)
Investor relations	**8**	-	**53**	22
Legal and accounting	**57**	57	**81**	91
Salaries and management fees	**40**	80	**80**	160
Share-based compensation *(Note 7)*	**506**	460	**564**	519
Transfer agent and filing fees	**7**	7	**14**	16
Travel	**13**	-	**13**	19
Loss and comprehensive loss for the period	**$ 755**	$ 727	**$ 1,067**	$ 1,083

Weighted Average Common Shares Outstanding (000's)	**302,299**	202,944	**295,103**	202,944
Loss per common share – basic and diluted	**$0.00**	$0.00	**$0.01**	$0.00

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

Kincora Copper Limited

(An Exploration Stage Company)

Interim Condensed Consolidated Statements of Cash Flows
For the 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):		**2014**		2013
Operating Activities				
Loss for the period:	**$**	**(1,067)**	$	(1,083)
Items not affected by cash:				
Share-based compensation		**564**		519
Changes in non-cash working capital items:				
Receivables, prepaids and deposits		**(217)**		50
Accounts payable and accrued liabilities		**56**		(118)
Due to related parties		**(14)**		(3)
Net cash used in operating activities		**(678)**		(635)
Financing Activities				
Proceeds from private placement		**4,970**		606
Share issuance costs		**(237)**		-
Net cash provided by financing activities		**4,733**		606
Investing Activities				
Acquisition of assets		**(31)**		(29)
Exploration and evaluation asset expenditures		**(566)**		(299)
Net cash used in investing activities		**(597)**		(328)
Change in cash and cash equivalents		**3,458**		(357)
Cash and cash equivalents - beginning of period		**1,008**		2,681
Cash and cash equivalents - end of period	**$**	**4,466**	$	2,324

Supplemental 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 Statement of Changes in Shareholders' Equity

As at June 30, 2014

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

(Unaudited – Prepared by Management)

	Share capital (Number of Shares)	Share capital (Amount) $	Contributed Surplus $	Accumulated other comprehensive gain $	Equity Component – Convertible Debenture $	Deficit $	Total $
Balance – December 31, 2012	202,943,976	149,011	5,832	118	721	(104,739)	50,943
Share-based compensation	-	-	520	-	-	-	520
Loss for the period	-	-	-	-	-	(1,083)	(1,083)
Balance – June 30, 2013	202,943,976	149,011	6,352	118	721	(105,822)	50,380
Shares issued for interest on convertible debenture	4,350,000	153	-	-	-	-	153
Share-based compensation	-	-	68	-	-	-	68
Loss for the year	-	-	-	-	-	(8,073)	(8,073)
Balance – December 31, 2013	207,293,976	149,164	6,420	118	721	(113,895)	42,528
Shares issued in conjunction with private placements	99,240,000	4,962	-	-	-	-	4,962
Shares issued for debt	133,333	8	-	-	-	-	8
Share issuance costs	-	(237)	-	-	-	-	(237)
Share-based compensation	-	-	564	-	-	-	564
Loss for the period	-		-	-	-	(1,067)	(1,067)
Balance – June 30, 2014	**306,667,309**	**153,897**	**6,984**	**118**	**721**	**(114,962)**	**46,758**

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

1. Nature of Operations and Going Concern

Kincora Copper Limited ("Kincora" or "the Company) was originally incorporated in British Columbia on September 24, 1983. The Company is engaged in the acquisition and exploration of exploration and evaluation assets. The properties of the Company are without a known body of commercial ore, the exploration programs undertaken and proposed constitute an exploratory search, and there is no assurance that the Company will be successful in its search. The Company has not earned any revenue to date from its current operations and is therefore considered to be in the exploration stage. The business of exploring for minerals and mining involves a high degree of risk, and few properties that are explored are ultimately developed into producing mines.

The head office of the Company is located at Suite #1158 – 409 Granville Street, Vancouver, British Columbia V6C 1T2 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 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, 2014, the Company has an accumulated deficit of $114,962,000, a net loss for the six-month period ended June 30, 2014 of $1,067,000 and has working capital of $4,456,000. During the six-month period ended June 30, 2014, the Company closed two private placements by issuing 99,240,000 units of the Company at a price of $0.05 per unit for total gross proceeds of $4,962,000. (*See Note 11)* However, there can be no assurance that management's future financing actions will be successful.

If the going concern assumption was not appropriate for these 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 and IFRS 1 – First-time Adoption of IFRS.

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 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 financial statements. The condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2013 prepared in accordance with IFRS applicable to annual financial statements.

Critical Accounting Estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the 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:

i) 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.

ii) The inputs used in accounting for share-based compensation expense included in profit or loss calculated using the Black-Scholes option pricing model.

iii) 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.

iv) The recognition of deferred tax assets based on the change in unrecognized deductible temporary tax differences.

3. Significant Accounting Policies

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: Kincora Group Ltd ("KGL") and its subsidiary Nadmin LLC ("Nadmin"), Golden Grouse LLC ("Golden"), BSG Investments Inc. ("BSGII") and its subsidiary Parimá Mineraçáo Ltda. ("Parimá"), and Game Creek Company Limited ("Game Creek") and its subsidiary, Samsul Mineração Ltda. ("Samsul"). Inter-company balances and transactions are eliminated on consolidation. The Company's corporate office is located in Vancouver, British Columbia, Canada. Parimá and Samsul are located in Brazil. BSGII, Game Creek and KGL are British Virgin Island incorporated companies. Nadmin and Golden Grouse are incorporated in Mongolia. Golden, KGL and Nadmin are located in Mongolia.

b) Exploration and evaluation assets

All costs related to the acquisition, exploration and evaluation of mineral resource interests are capitalized by project. These costs will be amortized against revenue from future production or written off if the interest is deemed impaired, abandoned or sold.

The amounts shown for exploration and evaluation assets represent costs incurred to date, less recoveries, and do not necessarily reflect present or future values. The recoverability of amounts shown for mineral interests is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the projects as well as future profitable production or proceeds from the disposition thereof.

At the end of each reporting period, the Company's exploration and evaluation assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Ownership in exploration and evaluation assets involves certain inherent risks due to the difficulties of determining and obtaining clear title to the claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets.

3. Significant Accounting Policies – continued

c) 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.

d) 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 contributed surplus 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 contributed surplus. Consideration paid for the shares on the exercise of stock options is credited to share capital.

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.

e) 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	5 Years - Straight-line
Computers	3 Years - Straight-line

f) 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.

3. Significant Accounting Policies - *continued*

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 statement of financial position 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; and 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.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. 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) 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.

As at June 30, 2014 and December 31, 2013, the Company had no provisions for environmental rehabilitation.

3. Significant Accounting Policies - *continued*

i) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

3. Significant Accounting Policies - *continued*

i) Financial instruments – *continued*

Other financial liabilities: This category includes amounts due to related parties, convertible debenture and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and cash equivalents as fair value through profit and loss. The Company's receivables and subscriptions receviable are classified as loans and receivables. The Company's accounts payable and accrued liabilities, due to related parties and convertible debenture are classified as other financial liabilities.

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

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair values of the Company's cash and cash equivalents constitutes a Level 1 fair value measurement. The fair value of the Company's receivables, subscriptions receivable, due to related parties, and accounts payable and accrued liabilities approximate the carrying value due to their short-term nature. The convertible debenture is recorded at amortized cost.

j) 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, 2014 and the year ended and as at December 31, 2013 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 loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

3. Significant Accounting Policies - *continued*

New accounting standards adopted

The following new accounting standards were adopted effective January 1, 2013:

IFRS 10, "Consolidated Financial Statements", requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, "Consolidation - Special Purpose Entities", and parts of IAS 27, "Consolidated and Separate Financial Statements". The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures". There was no significant impact to the Company upon implementation of the issued standard.

IFRS 11, "Joint Arrangements", requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures", and SIC-13, "Jointly Controlled Entities - Non-monetary Contributions by Venturers". The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures". There was no significant impact to the Company upon implementation of the issued standard.

IFRS 12, "Disclosure of Interests in Other Entities", establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures". There was no significant impact to the Company upon implementation of the issued standard.

3. Significant Accounting Policies - *continued*

IFRS 13, "Fair Value Measurement", is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. There was no significant impact to the Company upon implementation of the issued standard.

New accounting standards not yet adopted

IAS 32, Offsetting Financial Assets and Financial Liabilities – In 2011, the IASB issued amendments to IAS 32 clarifying the meaning of "currently has a legal enforceable right to set-off and the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments are required to be adopted for periods beginning November 1, 2014. The Company is currently analyzing the impact, if any, that the adoption of this standard will have on its financial statements.

Recoverable Amount Disclosures for Non-Financial Assets - Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The Company is currently analyzing the impact, if any, that the adoption of this standard will have on its financial statements.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements, and IAS 28, Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10, 11, 12 and 13.

IFRS 7, Financial Instruments: Disclosures – In December 2011, the IASB amended IFRS 7 (Financial Instruments: Disclosures) requiring additional disclosures on offsetting of financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2013. This standard also requires additional disclosures about the initial application of IFRS 9. The IFRS 7 amendment is effective for annual periods beginning on or after January 1, 2015 (or otherwise when IFRS 9 is first applied).

3. Significant Accounting Policies - *continued*

In November 2009, the IASB published IFRS 9, "Financial Instruments, "which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. The effective date is postponed and is currently unknown. Early adoption is permitted and the standard is required to be applied retrospectively.

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.

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

The Company has non-material exposure at June 30, 2014 to interest rate risk through its financial instruments.

5. Management of Financial Risk - *continued*

Currency Risk

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.

Credit risk

The Company has some cash balances and a convertible debenture (*See Note 13).* The Company has no significant concentrations of credit risk arising from operations.

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 June 30, 2014, the Company had a cash balance of $4,466,000 (December 31, 2013 - $1,008,000) to settle current liabilities of $273,000 (December 31, 2013 - $233,000) Further information relating to liquidity risk is disclosed in Note 1.

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.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a year:

- Cash and cash equivalents includes deposits, which are at variable interest rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by $44,660 annually.

- 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.

6. Exploration and Evaluation Assets

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral property interests.

The Company has investigated title to all of its mineral property interests and to the best of management's knowledge, title to all of its properties are in good standing and free of material defect.

Exploration and evaluation assets – Mongolia – Bronze Fox

In fiscal 2011, the Company acquired a 100% interest in the shares of Kincora Group Limited ("KGL") in consideration for $35,882,000 in cash, common shares and warrants. KGL is incorporated in the British Virgin Islands and holds title to the Bronze Fox copper/gold project in Mongolia. In connection with the common shares issued for the acquisition, the Company issued 896,659 common share purchase warrants exercisable at $0.35 and expiring July 15, 2014 as a finder's fee.

As at June 30, 2014, the exploration and evaluation assets expenditures incurred on the property to date include the following *(000's):*

		Balance – December 31, 2013		Exploration additions		**Balance – June 30, 2014**
Acquisition	$	35,882	$	-	**$**	**35,882**
Amortization		120		25		**145**
Assay		1,121		9		**1,130**
Camp		446		22		**468**
Drilling		5,040		269		**5,309**
Fuel		63		-		**63**
Geological/geophysics		593		44		**637**
License/fees/taxes		17		-		**17**
Management and planning		4		-		**4**
Rental/utilities		126		18		**144**
Salaries		118		183		**301**
Supplies/safety gear		89		9		**98**
Sampling		57		-		**57**
Transportation/travel		61		12		**73**
Total	$	43,737	$	591	**$**	**44,328**

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets – *continued*

		Balance – December 31, 2012		Exploration additions		**Balance – December 31, 2013**
Acquisition	$	35,882	$	-	**$**	**35,882**
Amortization		64		56		**120**
Assay		964		157		**1,121**
Camp		277		169		**446**
Drilling		5,040		-		**5,040**
Fuel		30		33		**63**
Geological/geophysics		182		411		**593**
License/fees/taxes		10		7		**17**
Management and planning		4		-		**4**
Rental/utilities		36		90		**126**
Salaries		69		49		**118**
Supplies/safety gear		75		14		**89**
Sampling		57		-		**57**
Transportation/travel		40		21		**61**
Total	$	42,730	$	1,007	**$**	**43,737**

Exploration and evaluation assets – Mongolia – Golden Grouse

On April 18, 2012, the Company acquired a 100% interest in Golden Grouse LLC ("Golden") from the optionor, Temujin Mining Corp. ("Temjuin"), which holds two mineral exploration licenses adjoining the Company's Bronze Fox project in Mongolia, pursuant to which the Company issued 20,000,000 common shares as consideration for the acquisition. The Company is also required to issue an additional 15,000,000 common shares upon the discovery of 1,000,000 ounces of gold or gold equivalent prior to April 20, 2016, and expend a minimum of $2,000,000 on exploration and drilling on the licenses prior to April 20, 2014.

The Company received official notification from the Mineral Resources Authority of Mongolia ("MRAM") advising that the Company's two exploration licenses wholly owned by the Company's subsidiary company Golden Grouse LLC, have been revoked. The revocation of licenses is effective October 30, 2013 following a resolution issued by the Chairman of the Geology and Mining Cadastre Department.

The Company has written down all acquisition and exploration expenditures related to the Golden Grouse property during the year ended December 31, 2013 and incurred no further exploration expenditures as at June 30, 2014.

The Company also entered into a definitive agreement with Temujin to waive the minimum work commitment obligations relating to mineral exploration licenses following the revocation of the Golden Grouse licenses. The agreement includes amending certain terms regarding resource definition milestones if the Company is successful in recovering the licenses and the inclusion of a capped flow-through clause relating to a portion of any compensation that the Company might receive.

The common shares issued for the acquisition were measured using the share price on the date of issuance of the shares, $0.25 per common share, for an aggregate fair value of $5,000,000. As Golden is in the exploration stage, with no established mineral reserves or mineral resources, the transaction has been reflected in the financial statements as an asset acquisition.

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets – *continued*

Exploration and evaluation assets – Mongolia – Golden Grouse - continued

The purchase consideration and price allocation are as follows:

Purchase consideration:		
Common shares	$	5,000,000
Transaction costs	$	71,000
	$	**5,071,000**

Purchase price allocation:		
Exploration and evaluation assets	$	5,065,000
Equipment	$	6,000
	$	**5,071,000**

These interim condensed consolidated financial statements include the results of Golden's operations from April 18, 2012.

7. Share Capital and Contributed Surplus

Authorized share capital: Unlimited Common shares without par value

Share issuances:

a) During the year ended December 31, 2013, the Company issued 4,350,000 common shares at fair value to Origo Partners PLC as consideration for the annual interest relating to the $2,500,000 convertible debenture. $152,250 has been recorded to share capital based upon the fair value of the shares at the date of issuance and $65,250 has been recorded as a gain on settlement of debt. (*See Note 13*)

b) During the six-month period ended June 30, 2014, the Company closed a private placement financing and received gross proceeds of $4,375,000 through the issuance of 91,500,000 units at a price of $0.05 per unit (the "Offering"). Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitle the holder to acquire one common share of the Company for a period of two years expiring March 24th, 2016 at a price of $0.105 per share. If at any time following the expiry of the resale restrictions the closing price of the Company's shares on the TSX Venture Exchange (the "TSXV") is greater than $0.15 for 30 consecutive trading days then the Company may give notice accelerating the expiry date of the warrants to 30 days from the date of the notice.

   All units issued under the Offering are subject to a four month hold period expiring July 25th, 2014. The Company paid finder's fees of $190,642 in connection with the Offering.

(Expressed in Canadian Dollars)

7. Share Capital and Contributed Surplus - *continued*

c) During the six-month period ended June 30, 2014, the Company closed a private placement pursuant to which Khayyam Minerals Ltd. acquired 7,740,000 units of the Company at a price of $0.05 per unit for gross proceeds of $387,000. The units were distributed pro rata amongst the shareholders of Khayyam as Khayyam's Qualifying Transaction under the Capital Pool Companies policy of the TSX-V. Each unit consists of one common share and one share purchase warrant of the Company exercisable to acquire one additional share at an exercise price of $0.105 per share for a period of two years from the date of the close of the private placement subject to acceleration provisions such that, if at any time after four months from the completion of the private placement, the closing price of shares on the TSX-V is at least $0.15 per share for 30 consecutive days, the Company may give notice that each warrant will expire 30 business days from the date of providing such notice.

The shares and warrants issued under the private placement will be subject to a hold period of 4 months expiring on September 22, 2014.

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.

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

	Number of options	Weighted Average Exercise Price
Balance outstanding – December 31, 2012	10,900,000	$0.33
Granted	9,100,000	$0.16
Balance outstanding – December 31, 2013	20,000,000	$0.25
Granted	11,200,000	$0.11
Cancelled	(550,000)	$0.40
Balance - June 30, 2014	**30,650,000**	**$0.20**

As at June 30, 2014, the following stock options are outstanding and exercisable:

Number	Price per share	Expiry date	Options exercisable
3,100,000	$0.40	July 28, 2016	3,100,000
500,000	$0.40	October 3, 2016	500,000
2,000,000	$0.40	October 17, 2016	2,000,000
4,750,000	$0.25	September 12, 2017	2,250,000
9,100,000	(*see Note 7a*)	May 31, 2018	9,100,000
725,000	$0.105	February 27, 2018	725,000
10,475,000	(*see Note 7c*)	May 28, 2019	10,475,000
30,650,000			**28,150,000**

(Expressed in Canadian Dollars)

7. Share Capital and Contributed Surplus - *continued*

The weighted average fair value per stock option granted during the six-month period ended June 30, 2014 was $0.11 (December 31, 2013 -$0.08) per option.

a) During the year ended December 31, 2013, the Company granted stock options to officers and directors to purchase up to 9,100,000 common shares exercisable on or before May 31, 2018 at staggered exercise prices of $0.105, $0.135, $0.165 and $0.195 respectively. Each exercise price is equal to 25% of the total amount of stock options granted. $402,115 has been recorded as share-based compensation expense.

b) During the six-month period ended June 30, 2014, the Company granted stock options to a consultant to purchase up to an aggregate of 725,000 common shares exercisable on or before February 27, 2018 at a price of $0.105 per share.

c) During the six-month period ended June 30, 2014, the Company granted stock options to officers and directors to purchase up to 10,475,000 common shares exercisable on or before May 28, 2019 at staggered exercise prices of $0.06, $0.09, $0.12 and $0.15 respectively. Each exercise price is equal to 25% of the total amount of stock options granted. $563,724 has been recorded as share-based compensation expense.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options. The estimated fair value of the stock options granted during the year was determined using the Black-Scholes option pricing model with the following assumptions:

	2014	2013
Expected dividend yield	0%	0%
Expected stock price volatility	120%	120%
Risk free rate	1.45%	1.45%
Forfeiture rate	0%	0%
Expected life of options	5 years	5 years

Warrants:

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

	Number of warrants	Weighted Average Exercise Price
Balance –December 31, 2011	896,659	$0.35
Granted	44,612,143	$0.19
Balance - December 31, 2012 and December 31, 2013	45,508,802	$0.19
Granted	99,240,000	$0.105
Balance – June 30, 2014	**144,748,802**	**$0.13**

(Expressed in Canadian Dollars)

7. Share Capital and Contributed Surplus - *continued*

As at June 30, 2014, the following warrants are outstanding and exercisable:

Number	Price per share	Expiry date	Warrants exercisable
896,659	$0.35	July 15, 2014	896,659
44,112,143	$0.19	November 14, 2015	44,112,143
500,000	$0.19	November 26, 2015	500,000
91,500,000	$0.105	March 26, 2016	91,500,000
7,740,000	$0.105	May 21, 2016	7,740,000
144,748,802			**144,748,802**

Escrow shares:

Pursuant to the terms of the acquisition of the Bronze Fox exploration and evaluation assets *(See Note 6)*, 49,896,439 common shares were issued by the Company and placed in escrow, subject to an escrow agreement ("the Escrow Agreement"). At June 30, 2014, 14,968,931 shares remained in escrow. Pursuant to the terms of the Escrow Agreement, shares are to be released from escrow as to 7,484,466 shares on January 15, 2014 with a further 7,484,465 escrow shares to be released in six months.

8. Segmented Information

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

9. Related Party Transactions

The Company incurred the following amounts for related party services:

a) The Company pays a monthly corporate administration fee that includes office rent, administration, accounting and corporate secretarial, chief financial officer, IT consulting and other related services to White Label Corporate Services Inc. ("WLM"). WLM is a management company that provides shared office space and staff to certain other public companies on a cost shared basis. The Company shares two officers in common with WLM. During the six-month period ended June 30, 2014 total expenses were $42,000 (December 31, 2013 - $147,000). WLM holds a security deposit of $20,000 (December 31, 2013 - $20,000) for corporate services.

b) During the six-month period ended June 30, 2014, the Company paid salaries of USD $80,100 (December 31, 2013 - USD$40,000) to the director of exploration.

9. Related Party Transactions – *continued*

c) During the six-month period ended June 30, 2014 paid $30,420 (December 31, 2013 - $44,786) to Origo Partners PLC ("Origo"), a company with a director in common, for accounting and office support services in Mongolia. The convertible debenture liability of $2,108,000 (December 31, 2012 - $1,882,000) is also due to Origo. (*See Note 13*)

d) During the six-month period ended June 30, 2014, the Company paid or accrued $15,164 (December 31, 2013 - $19,754) for legal services and $Nil (December 31, 2013 - $3,996) in share issuance costs to McMillan LLP, a company with a former director in common.

e) During the six-month period ended June 30, 2014, the Company paid management fees of $80,000 to Spring Resources Pty Ltd., a company with an officer in common (December 31, 2013 - $160,000).

f) At June 30, 2013, the Company owed $19,500 (December 31, 2013 - $12,000) in accrued directors fees.

Compensation of key management personnel

		June 30, 2014		June 30, 2013
Management fees, chairman, directors and audit committee fees	$	**62,500**	$	60,000
Share-based payments*		**480,526**		402,115
	$	**543,026**	$	462,115

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

10. Supplemental Disclosure of Cash Flow Information

Cash paid for interest	$	**Nil**	$	Nil
Cash paid for income taxes	$	**Nil**	$	Nil

Supplemental Disclosure of Non-Cash Financing and Investing Activities include *('000):*		June 30, 2014		June 30, 2013
Amortization capitalized to exploration and evaluation assets	$	**25**	$	46

11. Commitments and Contingencies

Contingencies

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

12. Equipment

Net carrying costs at June 30, 2014 and December 31, 2013 are as follows *('000):*

	Computers	Exploration Equipment	Total
Cost			
Balance as at December 31, 2012	$ 8	$ 202	$ 210
Additions	-	31	31
Balance as at December 31, 2013	$ 8	$ 233	$ 241
Accumulated amortization			
Balance as at December 31, 2012	$ 7	$ 43	$ 50
Additions (Amortization)	1	83	84
Balance as at December 31, 2013	$ 8	$ 126	$ 134
Additions (Amortization)	-	25	25
Balance as at June 30, 2014	$ -	$ 82	$ 82
Net book value			
At June 30, 2014	$ -	$ 82	$ 82
At December 31, 2013	$ -	$ 76	$ 76

13. Convertible Debenture

On July 18, 2012, the Company issued a $2,500,000 convertible debenture. The debenture is payable three years from the date of issuance. The convertible note bears interest at 8.7% per annum, calculated and paid annually by way of the issuance of common shares of the Company priced at the time of issuance in accordance with the policies of the TSX Venture Exchange (the "TSX-V"), and is convertible into units ("Units") at any time after the date of issuance at a price of $0.25 per unit. *(See Note 7c)* Each unit is comprised of one common share of the Company and one share purchase warrant (a "Warrant"), each warrant is exercisable to purchase one common share at a price of $0.45 for a term ending at the maturity date.
The debenture was determined to be a compound instrument.

As the debenture is convertible into common shares, the liability and equity components are presented separately. The initial carrying amount of the financial liability is determined by discounting the stream of future payments of interest and principal. Using the residual method, the carrying amount of the conversion features is the difference between the principal amount and the carrying value of the financial liability. The debenture, net of the equity component and issue costs are accreted using the effective interest rate method over the term of the debentures, such that the carrying amount will equal the total face value of the debenture at maturity. The Company has recorded $1,779,000 as the liability amount and $721,000 as the equity amount. The Company has recorded accretion of $226,000 at the December 31, 2013 year end (December 31, 2012: $103,000). Interest expense of $217,500 (2012: $104,000) has also been accrued relating to the annual convertible note interest payable on the debenture.

14. Subsequent Event

Subsequent to the three-month period ended June 30, 2014;

The Company announced that it intends to issue 2,718,750 shares relating to the issuance of shares on account of interest payable under the $2,500,00 Convertible Note due July 18, 2015 held by Origo Partners plc. The Company is to issue 2,718,750 shares to Origo at a deemed price of $0.08 per share (being the closing price of the Company's shares on the TSXV on July 17, 2014) As a result, following the issuance, Origo will hold 81,145,393 shares of Kincora or 26.23% of a total of 309,386,058 shares that will then be issued and outstanding.

Kincora Copper Limited

(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Expressed in Canadian Dollars

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014

As at August 28, 2014

Introduction

The following interim management's discussion and analysis (MD&A) of the Company has been prepared as of August 28, 2013. 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 six-month period ended June 30, 2014, which has been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). In addition, these 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 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 financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable.

Description of Business

Kincora Copper Limited (the "Company" or "Kincora") is a junior resource company engaged in the acquisition, exploration and development of mineral properties with a focus on copper-gold projects in Mongolia. Our key asset is the wholly owned Bronze Fox copper-gold project that hosts a large and strategically located known mineralised footprint covering over 40km^2 of a 223km^2 license area, in southeast Mongolia along the Oyu Tolgoi copper belt. Kincora is the remaining independent foreign listed copper exploration company in Mongolia. Large scale porphyry deposits seldom occur in isolation with the South Gobi's geology and tectonic setting highly prospective for large size discoveries, being part of a well-recognized belt formed from middle to late Palaeozoic volcanic and sedimentary rocks that have been intruded by late Devonian and Carboniferous granitoids. Kincora's ambition is to be the leading copper-gold exploration and development company in this region.

The Bronze Fox license (15000X) is located approximately 250 km from the Chinese border and within 140km of two large scale greenfield copper construction projects: Oyu Tolgoi, invested capital to date over US$7 billion, in Stage 1 production and target production of up to 160,000t/day, owned by Rio Tinto, Turquoise Hill Resources minority shareholders and the Government of Mongolia ("GoM"); and, Tsagaan Suvarga, estimated capex of at least US$1 billion and target production of 40,000t/day, privately owned by MAK with project finance syndicated by the European Bank of Reconstruction and Development ("EBRD"). Other significant mines, including Erdenes Tavan Tolgoi and other coal mines, with associated infrastructure (including rail, power and water, all within 45kms) are under construction in this immediate region, which is one of the most rapidly developing mining centers anywhere in the globe despite being one of the last underexplored frontiers.

Bronze Fox continues to be one of the more advanced copper exploration projects in the highly prospective South Gobi region, situated in the Oyu Tolgoi mineralisation structural trend, offering large scale potential supported by known widespread lower grade copper mineralization, and localized higher grades, with one of the youngest aged exploration licenses. Previous geochemical, geological mapping and alteration studies coupled with ground magnetics, shallower and deeper Induced Polarization (IP) programmes, and drilling results to date provide confirmed mineralized porphyry targets and positive indicators for world-class size, potentially economic copper porphyry ore bodies, and both smaller scale copper oxide and open pit gold development potential.

Kincora's objectives at Bronze Fox are to locate shallow and/or deep copper-gold porphyry deposits and ascertain the potential for shallow gold deposits with a view to the future development of open pit or underground mines. The copper porphyries are anticipated to be in the core of an intruded porphyry system, known as the Bronze Fox Intrusive Complex, with such a system confirmed by various independent consultant opinions with the focus being the delineation of economic orebodies, whereas the gold deposit potential are considered to be in the peripheral zones of a porphyry system.

Description of Business - *continued*

Kincora completed one the most active copper exploration programs in Mongolia at Bronze Fox during 2013, is currently undertaking extensive 2014 field season activities, including drilling, on one of the most advanced and prospective projects with one of the youngest exploration licenses (noting the April 2010 moratorium on the issuance of new exploration licenses which has recently been lifted). The Company in November 2013 had a further two licenses adjacent to the Bronze Fox project, Tourmaline Hills (15075X) and North Fox (15076X), revoked as part of a total of 106-licenses following a criminal court case involving former Government officials. This resulted in a $6,952,000 write down in Kincora's September 2013 quarterly accounts. Kincora continues to lead the efforts of impacted previous licenses holders (11 foreign and 66 local groups) working with the Government to resolve the 106-license issue in a timely manner, which is in the interests of all stakeholders.

At the beginning of 2014, the Company completed an oversubscribed private placement to fund upcoming field season activities, which have a number of similar characteristics to that undertaken by Ivanhoe Mines (now Turquoise Hill Resources) in 2001 and led to the "discovery hole" at Oyu Tolgoi. All required permits have been obtained with exploration activities ongoing.

The Company was formed in mid-2011 with its head office located in Vancouver, Canada, with a regional office in Ulaanbaatar, Mongolia. The Company is a reporting issuer in Ontario, British Columbia and Alberta, Canada. The Company's common shares trade on the TSX Venture Exchange under the symbol **KCC**.

Corporate and Operational Highlights

Following the successful exploration results of the 2013 field season, and then conclusion of an oversubscribed private placement, Kincora's focus shifted to mobilizing field season activities, resuming exploration and advancing a number of corporate initiatives during the quarter.

Highlights for the six-month period ended June 30, 2014 include:

- **Advisory Board Appointment**: Former President and CEO of Oyu Tolgoi, Cameron McRae, appointed to Kincora's Advisory Board. Mr. McRae was most recently President and Chief Executive Officer of Oyu Tolgoi, Rio Tinto's Country Director for Mongolia, and has over thirty years mining industry experience, overseeing the development of a world-class copper porphyry deposit and the largest single mining investment project in northeast Asia in his last role.

- **Fund Raising:** Oversubscribed two-tranche private placement was completed. The successful placing attracted considerable demand from both new and existing investors with funds to be used for high priority drilling, and other exploration activities, at the Bronze Fox license in the 2014 field season.

- **Board Realignment:** Mr. Eric Zurrin joined as a member of the Board of Directors. Mr Zurrin has over 12 years of transaction, capital raising and advisory experience having been based in Toronto, London and Hong Kong covering mining and industrial sectors. He is currently a director of Mongolian based merchant bank Resource Investment Capital ("ResCap"). Concurrently, Mr. Stephen Fabian and Mr. David Cowan have stepped down as Directors of the Company. Mr. Cowan will continue to remain as legal counsel to the Company.

- **Drilling Commenced:** Drilling activities commenced at high priority copper porphyry targets, following initial exploration activities having already resumed at Bronze Fox and all required permits being in hand. Trenching activities also commenced at the Happy Geo prospect following promising recent surface sample results and corresponding integrated geophysical analysis.

Corporate and Operational Highlights - *continued*

Highlights for the six-month period ended June 30, 2014 **-** *continued*:

- **Exclusivity Agreement regarding flagship project:** Kincora announced that it had entered into an agreement granting exclusive rights to carry out due diligence with respect to a potential joint venture, earn-in, strategic alliance, equity investment or other transaction in respect to Kincora's wholly owned Bronze Fox project with one of the existing major producers of copper.

Subsequent developments to June 30, 2014 include:

- **Amended and Improved Minerals Law:** On July 1st, the Mongolian Parliament passed the much-anticipated amendments Law on the Amendments to the Mineral Law (2014), modifying the existing Minerals Law (2006), which while relatively limited, are broadly positive and an encouraging development, particularly for the junior sector.

- **106-license dispute**: On July 4th, the Mongolian Government approved Resolution #216 and is Appendix ("Resolution #216") relating to the 106-licenses dispute to *"settle in a manner with no damage to the State and the license holder for the purpose of granting a new licenses, in accordance with the Minerals Law to issue through tender"*. The Mining Minister, Gankhuyag.D, has been assigned to organize and monitor the tendering for 106-license areas in accordance with relevant laws and regulations.

- **Exploration update**: On July 10th, Kincora provided an update for on-going exploration activities stating that three holes had been completed, two ongoing, all returning sulfides and copper mineralization, with shallow copper mineralization often intersected, continuing to depth, and the geological and geophysical model and targets confirmed. A new mineralized zone was named Shargal Tolgoi. Exploration activities remain ongoing with two rigs currently drilling at the Shargal Tolgoi and Leca Pass prospects.

- **Board Appointment**: On July 23rd, Kincora announced that Jonathan (Sam) Spring, the Company's President and CEO, has joined as a member of the Board of Directors effective immediately.

- **Script Payment of Convertible Loan Interest**: On August 20th, Kincora announced that it intends to issue 2,718,750 shares, at a deemed price of $0.08 per share, relating to interest payable under the $2,500,00 Convertible Note due July 18, 2015 held by Origo Partners plc. The Convertible Note is convertible into common shares at a price of $0.25 per share before July 18, 2015.

Corporate and Operational Discussion

Highlights for the six-month period ended June 30, 2014 include:

a) **Former President and CEO of Oyu Tolgoi, Cameron McRae, appointed to Advisory Board:** On February 27th, 2014 Kincora announced the appointment of Mr. Cameron McRae to its Advisory Board. Mr. McRae was most recently President and Chief Executive Officer of Oyu Tolgoi, Rio Tinto's Country Director for Mongolia, and has over thirty years mining industry experience. He has broad experience across multiple mineral sectors, held three CEO positions of operating mining companies, lead successful M&A projects and was involved in the landmark merger of RTZ plc and CRA Ltd that created the Rio Tinto Group. In his last role Mr. McRae oversaw over US$6 billion investment and the successful commencement of commercial production from Oyu Tolgoi, a world-class copper porphyry deposit located 140km's from Kincora's Bronze Fox project. Mr. McRae was responsible for all aspects of the project including safety, strategy, operations and growth initiatives.

Mr. McRae is assisting management and the Board of Kincora with stakeholder relations (including Government, industry, community, and social groups), discussions with investors (incl. potential strategic groups), and providing general advice (incl. continued exploration, potential development and M&A activities). Mr. McRae remains based in Mongolia and has recently been appointed Executive Chairman to Skypath Partners, an advisory, strategic consulting and principal investment firm based in Ulaanbaatar. Mr. McRae has recently been announced as President of the Institute of National Strategy (INS), a new Mongolia institute liaising with the business associations and the Government of Mongolia in the development of the nations business environment and policy.

b) **Oversubscribed Private Placement**: On March 25th, 2014 Kincora announced the completion a $5 million private placement, subject to certain approvals. The successful placing attracted considerable demand from both new and existing investors and was significantly oversubscribed. Funds from the capital raising will be used for high priority drilling, and other exploration activities, at the Bronze Fox license in the 2014 field season.

On March 25th, the Company closed a first tranche of financing for gross proceeds to date of $4,375,000 through the issuance of 91,500,000 units at a price of $0.05 per unit (the "Offering"). Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of Kincora for a period of two years expiring March 24, 2016 at a price of $0.105 per share. If at any time following the expiry of the resale restrictions the closing price of Kincora's shares on the TSX Venture Exchange (the "TSXV") is greater than $0.15 for 30 consecutive trading days then Kincora may give notice accelerating the expiry date of the Warrants to 30 days from the date of the notice. All units issued under the Offering are subject to a four-month hold period expiring July 25, 2014. The Company proposes to complete a second tranche to Khayyam Minerals Ltd. (TSXV: KYY.P) ("Khayyam"), completed after period end.

Corporate and Operational Discussion – *continued*

Highlights for the six-month period ended June 30, 2014 – *continued*

Second tranche of private placement closed: On May 21st, 2014, the Company announced that subject to the issuance of a final exchange bulletin by the TSX Venture Exchange ("TSX-V"), it has completed the previously announced private placement pursuant to which Khayyam Minerals Ltd. (TSXV: KYY.P) ("Khayyam") has acquired 7,740,000 units of the Company at a price of $0.05 per unit for gross proceeds of $387,000 (the "Private Placement"). The units are to be distributed pro rata amongst the shareholders of Khayyam as Khayyam's Qualifying Transaction under the Capital Pool Companies policy of the TSX-V. Each unit consists of one common share and one share purchase warrant of the Company exercisable to acquire one additional share at an exercise price of $0.105 per share for a period of two years from the date of the close of the private placement subject to acceleration provisions such that, if at any time after four months from the completion of the private placement, the closing price of shares on the TSX-V is at least $0.15 per share for 30 consecutive days, the Company may give notice that each warrant will expire 30 business days from the date of providing such notice.

The shares and warrants issued under the private placement will be subject to a hold period of four months expiring on September 22, 2014. A total of 6,140,826 Shares and an equal number of warrants distributable to the principals of Khayyam will also be subject to escrow in accordance with the policies of the Exchange.

c) **Resignation and appointment of Directors**: On May 22nd, 2014, the Company announced that Mr. Eric Zurrin had joined as a member of the Board of Directors effective May 20th, 2014. Mr Zurrin is a former Director of UBS Investment Bank's EMRA Metals & Mining team, having previously worked for BMO Nesbitt Burns. He has over 12 years of transaction, capital raising and advisory experience having been based in Toronto, London and Hong Kong covering mining and industrial sectors. He is currently a director of Mongolian based merchant bank Resource Investment Capital ("ResCap") with extensive knowledge of the Mongolian investment landscape and coordinating capital sourcing through partner distribution networks in the international markets. Mr Zurrin has lead over a dozen financing and advisory mandates in Mongolia since 2010 and was based in Ulaanbaatar for nearly three years. He is also a director of privately held Manaslu Mining Limited with mining investments in South East Asia. Mr Zurrin is a Canadian national and holds a Bachelor of Commerce degree from the University of Manitoba.

   Concurrent with the appointment of Mr. Zurrin to the Kincora Board of Directors, Mr. Stephen Fabian and Mr. David Cowan have stepped down as Directors of the Company. Mr. Cowan will continue to remain as legal counsel to the Company.

d) **Kincora resumes active copper porphyry exploration:** On May 27th, 2014, the Company announced that exploration activities commenced at high priority copper porphyry targets, following initial exploration activities having already resumed at Bronze Fox and all required permits being granted. The 2014 field season programme has been designed to primarily advance and test a number of large scale copper porphyry targets focused at the West Kasulu, Sophie North and Leca Pass prospects situated around the BFIC. The BFIC is located on our wholly owned 15000X exploration license and does not cross into any neighboring licenses.

e) **Incentive Stock Options:** On May 28th, the Company announced that, in accordance with the Company's stock option plan, it has granted to certain directors, officers and consultants incentive stock options to purchase up to an aggregate of 10,475,000 common shares exercisable on or before May 28, 2019 at prices per share of $0.06 (as to 2,618,750 options), $0.09 (as to 2,618,750 options), $0.12 (as to 2,618,750) options and $0.15 (as to 2,618,750 options).

Corporate and Operational Discussion – *continued*

Highlights for the six-month period ended June 30, 2014 – *continued*

f) **Exclusivity Agreement regarding flagship project:** On June 13th, Kincora announced that it had entered into an agreement granting exclusive rights to carry out due diligence with respect to a potential joint venture, earn-in, strategic alliance, equity investment or other transaction in respect to Kincora's wholly owned Bronze Fox project with one of the existing major producers of copper.

   The Exclusivity Agreement contemplates various work programs being undertaken by the third party during a staged review period in order to advance toward a Potential Transaction, and maintain certain exclusive rights to such a Potential Transaction and access to the properties/dataroom. The Exclusivity Agreement does not impact or restrict Kincora's ability to undertake ongoing exploration activities or other customary corporate initiatives, such as private placements, securing additional licenses etc. Neither party is obligated to proceed with a Potential Transaction with the agreement in-line with Kincora's strategy to actively pursue various avenues to advance the technical progress of Bronze Fox.

   The Company is captured under certain Confidentially Agreements that are customary for such an Exclusivity Agreement.

g) **Shares for Debt:** On June 24th, the Company announced that it has issued 133,333 shares to settle a $8,000 debt to a former director. All shares are subject to a four-month holder period expiring October 20, 2014.

h) **Private Placement:** The Company closed a private placement pursuant to which Khayyam Minerals Ltd. acquired 7,740,000 units of the Company at a price of $0.05 per unit for gross proceeds of $387,000. The units were distributed pro rata amongst the shareholders of Khayyam as Khayyam's Qualifying Transaction under the Capital Pool Companies policy of the TSX-V. Each unit consists of one common share and one share purchase warrant of the Company exercisable to acquire one additional share at an exercise price of $0.105 per share for a period of two years from the date of the close of the private placement subject to acceleration provisions such that, if at any time after four months from the completion of the private placement, the closing price of shares on the TSX-V is at least $0.15 per share for 30 consecutive days, the Company may give notice that each warrant will expire 30 business days from the date of providing such notice.

   The shares and warrants issued under the private placement will be subject to a hold period of four-months expiring on September 22, 2014.

Subsequent developments to the six-month period ended June 30, 2014

i) **Amended and Improved Minerals Law:** On July 1st, the Mongolian Parliament passed the much-anticipated amendments Law on the Amendments to the Mineral Law, (2014) modifying the existing Minerals Law (2006), which while relatively limited, are broadly positive and an encouraging development, particularly for the junior sector.

Key items under the amendments of the Minerals Law include:

- The moratorium on the granting of new exploration licenses removed, in place since 2010
- The surface area available for exploration and mining will be increased to 20% from the current 8% of Mongolia's territory
- The maximum period for an exploration license has been extended from 9 years to 12 years

Similar to the New Investment Law ("NIL", which replaced SEFIL), the amendments to the Minerals Law address a key area of concern impacting investor sentiment and a well-known overhang to private sector activity. Details regarding the issuance process for new exploration licenses are yet to be provided with no timeline currently available.

j) **106-license dispute:** On July 4th, the Mongolian Government approved Resolution #216 and is Appendix ("Resolution #216") relating to the 106-licenses dispute to *"settle in a manner with no damage to the State and the license holder for the purpose of granting a new licenses, in accordance with the Minerals Law to issue through tender".* The Mining Minister, Gankhuyag.D, has been assigned to organize and monitor the tendering for 106-license areas in accordance with relevant laws and regulations.

As outlined in our July 29th press release, under the approved Resolution #216 former license holders and other third parties will re-tender for the previously revoked licenses on a competitive tender basis, where an initial re-tendering price shall be effectively determined by costs incurred by the former license holder(s). Resolution #216 doesn't differentiate between former license holders and other third parties with detailed implementation procedures pending.

Kincora and the association of active former license holders continue to seek active dialogue with appropriate Government officials to work towards an outcome in the interests of all stakeholders. In mid August, the association of active former license holders received letters from MRAM and the Minister of Mining, Gankhuyag.D, stating that business entities that originally held impacted licences must corroborate the expenses incurred for the said area, confirming any matters related to the funds and monies with receipts and financial records. Verified expenses are termed as a "threshold price"; the regulations enable companies that previously held licences to enjoy the advantage that when participating in competitive selections they do not have to pay the threshold price. In the event that a business entity that previously held a licence participates in and then wins a competitive selection for an area with the coordinates that it originally held, a licence will be newly granted with a full term of tenure. It is specified in the competitive selection documents that if such a business entity participates in a competitive selection but does not win, its expenses incurred will be paid, or reimbursed as compensation, by the successful bidder.

On August 21st, it was announced that the first 14-licenses impacted by the 106-license dispute have confirmed "threshold prices" and will be put to retender on September 22nd. Kincora is yet to have its "threshold price" confirmed or be provided with an indicative timeline for when our impacted Golden Grouse licenses might be retendered.

Subsequent developments to the six-month period ended June 30, 2014 - *continued*

We are confident our revoked licenses will be returned or some form of monetary compensation received, but note the ongoing dispute continues to have a significant impact beyond just the 106-licenses and the exploration sector/amended Minerals Law, with security of tenure, a transparent and consistent legal and legislative environment being key cornerstones for all private sector activities. Investors are watching to see what the outcome of this dispute is and, as is, Resolution #216 and ongoing uncertainty relating the proposed re-tender process and costs included in the "threshold price", undermines the relatively limited, and broadly positive, amendments to key items of the existing Mineral Law. The proposed competitive tender process contradicts the positive move toward a direct application, "first come, first served", approach adopted under the amended Minerals Law.

k) **Exploration update:** On July 10th, Kincora provided an update for on-going exploration activities stating that three holes had been completed, two ongoing, all returning sulfides and copper mineralization, with shallow copper mineralization often intersected, continuing to depth, and the geological and geophysical model and targets confirmed

Drilling activities are focused on Sophie North, Dunlop Fox, Leca Pass and the south-eastern section of the previously known West Kasulu prospect, newly named Shargal Tolgoi (*"Yellowish Hill"*) Recently completed, and immediately planned, drilling is focused on zones of outcropping veins hosting favourable soil copper anomalies and/or mineralized previous drill results overlaying large-scale and strong Induced Polarization chargeability highs with corresponding magnetic lows.

Of particular note is the newly identified Shargal Tolgoi target. This zone of mineralization is adjacent to a prominent regional fault to the south-east of previous drilling at West Kasulu, in the volcanic sedimentary sequence, rather than the intrusive and granodiorite at West Kasulu. The three holes to date at this target, across a 400 by 400 meter zone, have returned promising shallow copper mineralization. Chalcopyrite and/or pyrite have been inserted at only 10-20 meters, noting all geophysical targets begin at less than 300 meters, continuing to depth.

The location, density and sequence of disseminated pyrite, fine pyrite veins and chalcopyrite quartz veins, and stockwork, with zones of hydrothermal alternations drilled at Shargal Tolgoi support our geological interpretation and vectoring towards interpreted potential high grade and tonnage mineralization. A similar strategy will be shortly pursued at Dunlop Fox (previously known by Ivanhoe as East Fox) and Leca Pass. Exploration activities remain ongoing with two rigs currently drilling at the Shargal Tolgoi and Leca Pass prospects.

l) **Board Appointment**: On July 23rd, Kincora announced that Jonathan (Sam) Spring, the Company's President and CEO, has joined as a member of the Board of Directors effective immediately. Sam joined the Company in August 2012, and is formerly a Senior Mining Analyst with over 10 years financial services experience across various disciplines within the Goldman Sachs Group and Ocean Equities Ltd (now part of Pareto Securities). Sam has a commerce degree from the University of Melbourne, is a Chartered Accountant (ICAA) and CFA Charterholder.

m) **Shares for debt**: The Company announced that it intends to issue 2,718,750 shares relating to the issuance of shares on account of interest payable under the $2,500,00 Convertible Note due July 18, 2015 held by Origo Partners plc. The Company is to issue 2,718,750 shares to Origo at a deemed price of $0.08 per share (being the closing price of the Company's shares on the TSXV on July 17, 2014).

The Convertible Note was issued in July 2012 (refer to the July 23, 2012 news release), bears interest at 8.7% per annum, calculated and paid annually by way of the issuance of common shares of Kincora with the principal convertible into common shares at a price of $0.25 per share before July 18, 2015. All shares issued will be subject to a four-month hold period. Following the issuance, Origo will hold 81,145,393 shares of Kincora or 26.23% of a total of 309,386,058 shares that will then be issued and outstanding.

Exploration and Evaluation Assets

Bronze Fox Project

The Bronze Fox project is located in the copper-gold belt in southeast Mongolia that also hosts the world-class Oyu Tolgoi Cu/Au/Mo deposit and Tsagaan Suvarga porphyry Cu/Mo deposit. It is registered with the Mongolian government authority under the license number #15000X with a total area of 22,323 hectares. It is within 45 km from Tsagaan Suvarga Mine, which is under construction (subject to a US$350 million project financing lead by the European Bank of Reconstruction and Development ("EBRD")), the existing rail line is 200 km away and developing rail extensions, regional airfields and water infrastructure are planned within 45kms.

Kincora has undertaken multiple phases of positive exploration on the Bronze Fox license, following previous exploration efforts from Ivanhoe Mines (now Turquoise Hill Resources) and informal Russian/Mongolia activities. The Company's last drilling results from late 2012 were highly encouraging with a number of porphyry intersections confirming the potential for a high-grade deposit (localized +4% copper in the last hole drilled) with broad lower grade (eg +800m @ +0.40% CuEq, including 37m @ >1% CuEq). Similar broad lower grade (+0.2-3% copper) results have been returned across various sections of a 40km^2 mineralized (and open) footprint.

In 2013, Kincora undertook one of the most active copper exploration programs in Mongolia. Very positive findings were confirmed by three independent consultants, which "explained" prior results and refine/de-risk target generation. A number of analogies between the current stage of exploration and results at Bronze Fox and Oyu Tolgoi pre "discovery hole" have emerged after the 2013 field season, including geophysical anomalies remaining largely untested with favourable mineralization coincident nearer surface and lower priority IP targets.

Nine drilling target zones have been identified with multiple significant strike (+1-2km) chargeability high anomalies with good extension to depth which may indicate disseminated pyrite/sulfides channels, and support the possibility of ore mineralization based on the comparison of previous drilling results and the distribution of the IP chargeability anomalies.

Kincora is shortly undertaking a drilling programme to advance from "Target testing" to potentially the "Discovery" phase of exploration at the central/northern porphyry targets focused on Shargal Tolgoi, Sophie North, Leca Pass and Dunlop Fox. The size of anomalies and target areas support significant copper and/or gold resource potential of Oyu Tolgoi or finger style copper porphyries if successful. A standalone gold, and/or gold-copper, exploration activity has also commenced at the Happy Geo prospect.

Exploration and Evaluation Assets - *continued*

Project Overview

There are three types of potential mineralization hosted in the Bronze Fox project area. They are porphyry style of Cu-Au-Mo, structural controlled hydrothermal Au, and shear zone Au. Current exploration work is mainly concentrated on porphyry Cu-Au-Mo targets and structural controlled hydrothermal Au, noting that approximately a third of historic drill holes have returned internals of at least 1g/t Au. Porphyry Cu-Au-Mo targets are mainly in the Bronze Fox license. The mineralization appears as sheeted and stockwork quartz-chalcopyrite-pyrite veins and disseminated chalcopyrite-pyrite with associated gold and sometimes molybdenum. The structural controlled Au mineralization occurs along structure zones in Sophie North and Buchanan Heights prospects, all associated with breccia and also strong silicification, argillic, sericitic, and chloritization alterations, sometimes with copper mineralization (up to 1.86% Cu). Shear zone gold potential appears in the Happy Geo zone, indicated by high-grade gold rock chip samples (up to 91g/t Au), soil gold anomalies (up to 1-2.5g/t Au), and large zones of argillic and sericitic alteration with trace sulphides, where further exploration work is warranted. SWIR study results from early 2014 and ongoing mapping activities indicate that there is also possibility of a concealed porphyry and/or gold mineral system in Happy Geo area and this potential warrants further exploration work. Results of the 2013 Induced Polarisation (IP) programme coupled with internal and independent interpretation of geology provides a number of high priority, potential world-class size, copper porphyry targets offering significant resource potential in the project area.

History pre 2012

Numerous joint Mongolian and Soviet programs first explored Bronze Fox from the 1950 to 1970s. Regional mapping, geochemistry, ground magnetics, induced polarization, seismic surveys, trenching and drilling were carried out; however, little data remains. Ivanhoe Mines commenced the reconnaissance and acquisition of licenses at Bronze Fox and in the surrounding area in 1997. Ivanhoe geologists first visited the district as part of a regional exploration program in 2004, and conducted geochemical sampling and ground magnetic programs. Over 6,000 rock chip samples were assayed and over 1,000 line kilometers of ground magnetics partly covered the Company’s current license area. Ivanhoe continued the exploration in 2005 with geological mapping, geochemical sampling, trenching, induced polarization surveys, and reconnaissance drilling, and designated Bronze Fox one of Ivanhoe’s high priority target license areas.

During the Company's ownership of Bronze Fox in 2010, 2011, and 2012, three drilling programs totalling over 33489.9m of diamond and RC drilling have been undertaken. Geological mapping, VIP and DDIP/PDIP, ground magnetic surveys and soil geochemistry sampling programs were conducted inside of the licence areas and further potential target areas identified.

Extensive copper and gold mineralization zones have been intersected mostly being lower grade and not able to be mined economically. The drilling program in 2012 intersected higher grade zones in Hole F62 and F72, both with over 1% of copper intersections, and shallower mineralised porphyry dykes in Hole F82 and F92, but these zones are not yet large enough to have economic significance. Meanwhile, there are positive indications of the potential of high grade porphyry style of Cu/Au ore bodies, the key positive indications are the extensive low grade zones with high grade Cu/Au mineral zones, intersections of porphyry breccia with Cu/Au mineralization and also the xenolith porphyry breccia with even better copper mineralization, large area of porphyry style of alteration and veining, etc.

Exploration and Evaluation Assets - *continued*

A large area of low grade mineralization is generally considered as the footprint of a porphyry Cu/Au mineral system and the statistics of world porphyry Cu/Au deposits shows that most of the large deposits are with larger footprints. From this point of view, the footprint of Bronze Fox project could match the size of other known large porphyry Cu/Au deposits. To locate a higher grade economic mineral zone in Bronze Fox is the key objective.

The key work completed in year 2010 over the licence 15000X area was:

- RC drilling: 3921m
- Diamond drilling: 1478.5m
- DDIP survey: 12 lines with a total length of 60.8km
- Gravity survey: 10 square km

In fiscal year 2011, the key work completed was:

- Diamond drilling of 12435m and 13133 core samples (including standards, blank, and duplication samples) laboratory assayed
- VIP survey of 200 square kilometers
- PDIP survey lines: 5 lines with a total length 19.6 line km
- High-resolution ground magnetic survey at 200m-line space with continues reading: 1185 line km covered the whole licence area.
- Geological mapping at 1:50000 of 200 sq. m.
- Soil geochemistry sampling: for the whole license area at a grid of 200m
- Rock chip sample along Russian trenches: totally 1175 samples sampled

A summary of key exploration activities undertaken in the 2012 field season included:

➢ Drilling: To the end of 23rd December 2012, 22 holes for 9066.5m were drilled in Licence 15000X. Total of 8994 core samples (including standard, blank, duplication samples) were lab assayed. The other holes drilled in License 15075X under ownership during that time.

➢ Geophysics: Inside of Licence 15000X, 38.4 line km, 12 arrays of 3D IP completed. Soil geochemistry: In Licence 15000X, in an area of 47 square km a infill soil sampling program completed in March. Total 2567 samples collected and the result highlighted some high gold anomalies in Happy Geo zone.

➢ Rock chip sampling: In the Happy Geo zone of license 15000X, 650 rock chips sampled, 650 samples returns received, 20 samples are with >1g/t Au with highest return of 42.5 g/t

➢ Archaeology and palaeontology study was completed.

The main progress in 2012 was:

➢ 35 holes of the 40 (including the holes drilled in License 15075X) drilled in 2012 hit copper and/or gold mineralisation and 13 of these contained intersections of >1g/t Au with the highest intersection hitting gold grade of 7.77g/t. A total of 21 holes had intersections of >0.5% Cu, with 8 holes containing intersections of >1% Cu, and the highest intersection returning 4.06% Cu in Hole F72, approximately 2km east of West Kasulu. These results have been previously reported.

➢ A mineralized porphyry dyke was intersected during the drilling of shallow metallurgical test holes (F82 and F91). Mineralized porphyry xenolith breccias were intersected in this porphyry dyke that is a very encouraging and further confirms the porphyry mineralization in the area.

Exploration and Evaluation Assets - *continued*

- Results from late 2012 support a large porphyry style resource potential, with possible higher grade zones in the West Kasulu and Leca Pass areas.

- 3D IP analysis undertaken earlier in 2012 to a depth of 400m in select areas of the licenses highlighted several geophysics targets along the Happy Geo zone with an overlapping gold soil anomaly and also high gold grade rock chips, which indicate the possibility of gold resource potential.

- Archaeology and palaeontology study result showed that there are no serious issues for exploration.

Exploration work completed in 2013:

- Infrared spectrum alteration study: 19,928 meters of core has been examined and measured with TerraSpec by consultant Plus Mineral. Those cores are mostly from drill holes in West Kasulu and Leca Pass prospects with these zones also being the key focus of further alteration mapping area, indicating the possibility of a trend of increasing temperature of formation to the west side of F62, but as the hole density is sparse, the trend is not clearly defined. Further processing is underway.

- Geological mapping over Happy Geo zone: 30 square kilometres, 117 rock chip samples collected, with 72 samples assaying above Au detection limit, 22 with >0.02g/t Au as the anomaly, 10 with >0.1g/t Au as high anomaly, one with 36.6g/t with high grade (Please note that last year sampling points were not repeated). Alteration zones such as silicification, argillic, and propylitic alteration zones have been mapped out, and indicate an area of substantial size. Geological mapping in the northeast part of License 15000X of an area of 30 square kilometers was completed. Only some structural controlled low gold anomalies were identified and no immediate porphyry copper/gold/moly targets. Alteration mapping over West Kasulu-Leca Pass area, with a total area of 28 square kilometers was also completed.

- 266 rock chip samples (including standards) from the mapping programs were assayed.

- A deep Induced Polarisation ("IP") programme field data acquisition was conducted between 24th July and 12th October. In total 35 blocks, 238 transmitting and 476 receiving line kilometers respectively were completed in the IP (geophysical) survey, designed penetrating to greater than 1000m depth (limits of previous programmes were approximately 400m), covering a 48.96km2 area along the central prospects of the Bronze Fox license. No accidents or injuries occurred.

- Additional petrographic and lithogeochemcial analysis is ongoing following a recent site visit from Professor Tony Crawford from Australia. Initial findings regarding Bronze Fox's regional setting, encountered hydrothermal copper activity and exploration targets have been positive. In total 23 lithochem samples and 38 petrographic samples collected and delivered for analyzing.

Exploration and Evaluation Assets - *continued*

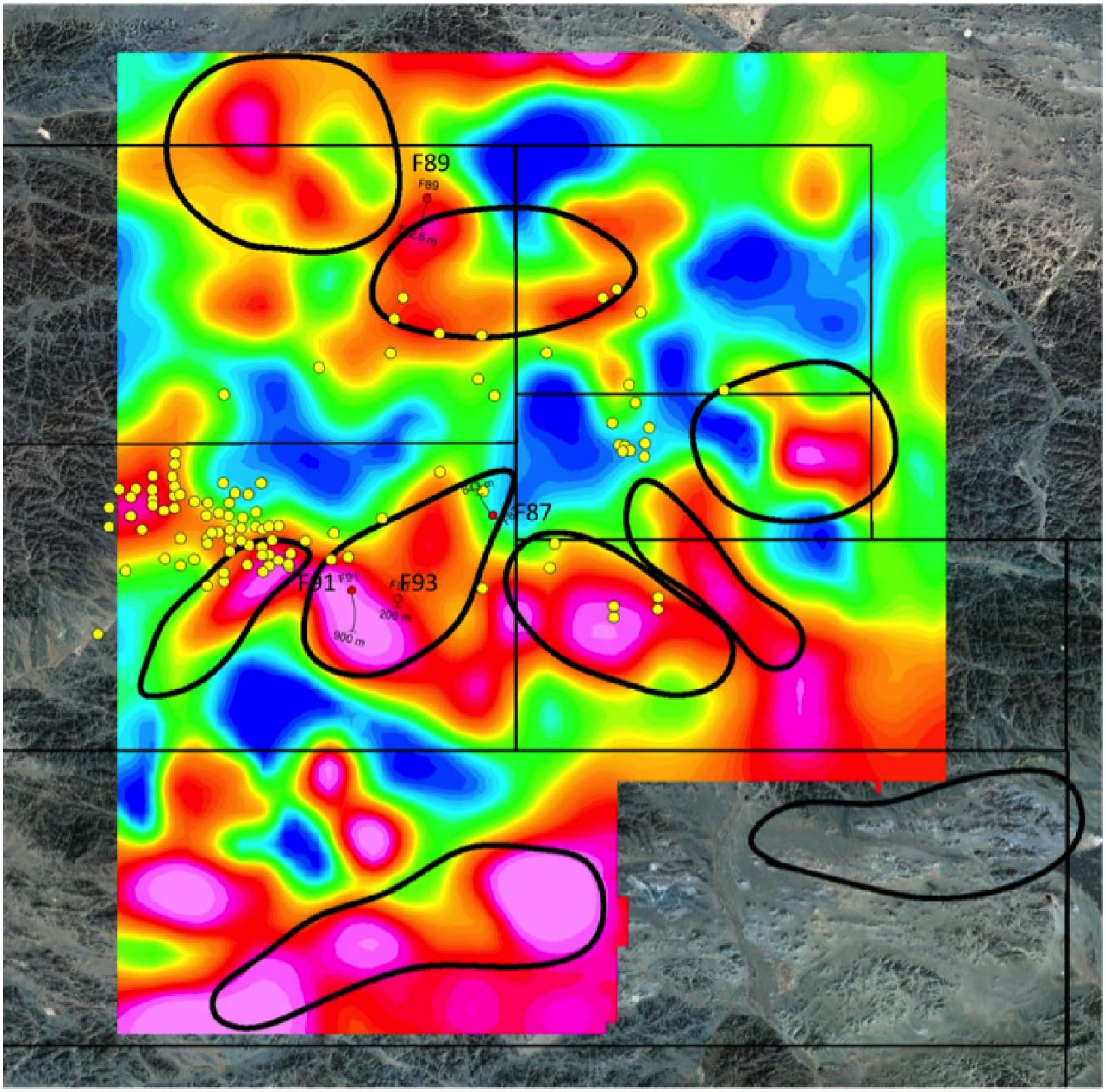

Figure: Current drilling status at June 30th, 2014. Yellow dot: historic hole. Red dot; drilled in 2014: license 15000X with background of 2013 Search IP chargeability.

Exploration and Evaluation Assets - *continued*

Exploration work in the First Quarter of 2014

- Search IP data process and interpretation: Consultant geophysicist Kim Frankcombe completed the Search IP data inversion and an interpretation report
- Completed government required annual work report (2013) and received MRAM approvals for 2014 proposed activities
- A field trip completed over Happy Geo zone. 68 rock chip samples collected and a SWIR study on those samples completed. Based on the SWIR consult expert's recommendation, there are indications of that in Happy Geo there is underlay porphyry system potential
- Consultant Prof. Anthony Crawford completed the project porphyry potential fertility study. The result indicated that the project sits in a very fertile belt; the current drilling concentration area in License 15000X is in a peripheral zone of a possible porphyry system
- Internal annual report completed
- Project annual work plan for government completed with relative government authorities' approvals.
- Based on the results of Search IP inversion, all the historical drilling, ground magnetic data, soil and rock chip chemistry, fertility study, and geological mapping, etc. 9 exploration targets identified and those targets warrant drill testing.
- Drill holes for testing the 9 exploration targets are with preliminary design and further refining of the hole design needed prior to the drilling program

Exploration work in the Second Quarter of 2014

- Drilling of central northern copper porphyry targets:
  - F87: RC: 200m; diamond: to depth of 643m (completed)
  - F89: RC: 270m; diamond: to depth of 782.6m (completed)
  - F91: RC: 270m; diamond: to depth of 885m (on drilling)
  - F93: RC:174.5m; diamond: to depth of 200m (on drilling)
  - Total: RC 914.5m; diamond 1596.1m; RC + diamond: 2510.6m

- Activities at Happy Geo:
  - Altan Undes prospect:
    - Mapping (1:500 scale) : 0.18 km2
    - Trenching & Trench Mapping: 151.5 m (n=7)
    - Rock Chip Samples:
      - Grab: 10
      - Channel Sample: 152 (average interval = 1 m)
  - Tsahir Tolgoi prospect:
    - Mapping (1:1,000 scale): 0.59 km2
    - Trenching: 1,206.6 m (n=8)
    - Trench Mapping (1:100 scale): 1,206.6 m (n=8)
    - Rock Chip Samples:
      - Grab:0
      - Channel Sample: 473 (average interval = 2 m)

- Construction of a purpose built underground well for sourcing drilling and non-drinking camp water.

Results of Operations

Three-Month Period Ended June 30, 2014

The Company's loss for the three-month period ended June 30, 2014 (the "Current Period") was $755,000 or $0.00 per share as compared with a loss of $727,000 or $0.00 per share for the six-month period ended June 30, 2013 (the "Comparative Period").

General and administrative expenses were $28,000 higher in the Current Period at $755,000 compared with $727,000 in the Comparative Period. This difference was mainly due increased investor relations ($8,000 versus $Nil) due to increased promotion and showcasing of the Company in an effort to increase the exposure of the Company's market visibility in relation to the successfully executed private placements completed in the period, higher share-based compensation ($506,000 versus $460,000) due to granting of stock options to directors, officers, and employees and higher travel costs ($13,000 versus $Nil) due to increased travel to Mongolia by the CEO and higher directors fees ($38,000 versus $27,000) due to appointments of new directors. These increases were offset by lower salary and wages ($40,000 versus $80,000) due to the former CEO stepping down and moving to a Board of Director chairman role, and lower corporate administration services ($46,000 versus $164,000) due to a concerted effort by management to reduce overhead costs in light of uncertain market conditions.

Six-Month Period Ended June 30, 2014

The Company's loss for the six-month period ended June 30, 2014 (the "Current Period") was $1,067,000 or $0.00 per share as compared with a loss of $1,083,000 or $0.01 per share for the six-month period ended June 30, 2013 (the "Comparative Period").

General and administrative expenses were $16,000 lower in the Current Period at $1,067,000 compared with $1,083,000 in the Comparative Period. This difference was mainly due to lower salary and wages ($80,000 versus $160,000) due to the former CEO stepping down and moving to a Board of Director chairman role, lower travel costs ($13,000 versus $19,000) due to reduced travel to Mongolia, lower legal and accounting ($81,000 versus $91,000) due to a reduction of legal expenses for the period and lower corporate administration services ($133,000 versus $278,000) due to a concerted effort by management to reduce overhead costs in light of uncertain market conditions. These decreases were offset by increased investor relations ($53,000 versus $22,000) due to increased promotion and showcasing of the Company in an effort to increase the exposure of the Company's market visibility in relation to the successfully executed private placements completed in the period and higher share-based compensation costs ($564,000 versus $519,000) due to the granting of stock options to directors, officers and employees.

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

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

In thousands $	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
Financial results								
Net loss for period	755	312	539	7,535	727	356	689	39
Basic and diluted loss per share	0.00	0.00	0.00	0.04	0.00	0.00	0.00	0.00
Exploration expenditures	444	121	293	434	164	183	1,894	1,756
Statement of Financial Position								
Cash and cash equivalents	4,466	5,560	1,008	1,650	2,324	2,805	2,681	1,276
Exploration and evaluation assets	44,328	43,858	43,737	43,444	49,962	49,798	49,615	47,631
Total assets	49,139	49,516	44,868	45,241	52,457	52,773	53,141	49,148
Shareholders' equity (deficiency)	46,758	47,061	42,527	43,112	50,380	50,646	50,943	47,066

Liquidity and Capital Resources

As of March 31, 2014, the Company had $4.466.000 in cash. The Company does not have any cash flow from operations due to the fact that it is an exploration stage company; therefore, financing activities have been the sole source of funds. In the opinion of management this working capital is sufficient to support the Company's general administrative and corporate operating requirements on an on-going basis for the next 12 months with an ongoing review of all aspects of our strategy with particular focus on further reducing overhead and administrative costs as evidence by our recent internal management changes. The Company has recently commenced the first phase of a proposed multi-stage 2014 field season program with existing cash reverses supporting budgeted activities until 2015. Given volatility in equity markets, global uncertainty in economic conditions, cost pressures and results of exploration activities, management constantly reviews expenditures and exploration programs and equity markets such that the company has sufficient liquidity to support its exploration and development strategy.

As at June 30, 2014, the Company has an accumulated deficit of $114,962,000, a net loss for the six-month period ended June 30, 2014 of $1,067,000 and has working capital of $4,456,000. During the six-month period ended June 30, 2014, the Company used cash of $678,000 in operating activities and had investing activities of $597,000 which was mainly used for exploration expenditures on the Company's Bronze Fox property. During the six-month period ended June 30, 2014, the Company closed two private placements financings and received gross proceeds of $4,970,000 through the issuance of 99,240,000 units at a price of $0.05 per unit (the "Offering"). 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. The outlook is based on the Company's current financial position and is subject to change if opportunities become available based on current exploration program results and/or external opportunities.

Liquidity and Capital Resources – *continued*

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

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

Related Party Transactions

The Company incurred the following amounts for related party services:

a) The Company pays a monthly corporate administration fee that includes office rent, administration, accounting and corporate secretarial, chief financial officer, IT consulting and other related services to White Label Corporate Services Inc. ("WLM"). WLM is a management company that provides shared office space and staff to certain other public companies on a cost shared basis. The Company shares two officers in common with WLM. During the six-month period ended June 30, 2014 total expenses were $42,000 (December 31, 2013 - $147,000). WLM holds a security deposit of $20,000 (December 31, 2013 - $20,000) for corporate services.

b) During the six-month period ended June 30, 2014, the Company paid salaries of USD $80,100 (December 31, 2013 - USD$40,000) to the director of exploration.

c) During the six-month period ended June 30, 2014 paid $30,420 (December 31, 2013 - $44,786) to Origo Partners PLC ("Origo"), a company with a director in common, for accounting and office support services in Mongolia. The convertible debenture liability of $2,108,000 (December 31, 2012 - $1,882,000) is also due to Origo. (*See Note 13*)

d) During the six-month period ended June 30, 2014, the Company paid or accrued $15,164 (December 31, 2013 - $19,754) for legal services and $Nil (December 31, 2013 - $3,996) in share issuance costs to McMillan LLP, a company with a former director in common.

e) During the six-month period ended June 30, 2014, the Company paid management fees of $80,000 to Spring Resources Pty Ltd., a company with an officer in common (December 31, 2013 - $160,000).

f) At June 30, 2013, the Company owed $19,500 (December 31, 2013 - $12,000) in accrued directors fees.

Compensation of key management personnel

		June 30, 2014		June 30, 2013
Management fees, chairman, directors and audit committee fees	**$**	**62,500**	$	60,000
Share-based payments*		**480,526**		402,115
	$	**543,026**	$	462,115

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

Share Capital Information

The table below presents the Company’s common share data as of August 28, 2014.

		Price	Expiry date	Number of common shares
Common shares, issued and outstanding				309,386,058
Securities convertible into common shares				
	Convertible Debenture – Common shares	$0.25	July 18, 2015	10,000,000
	Convertible Debenture – Warrants	$0.45	July 18, 2015	10,000,000
	Warrants	$0.35	July 15, 2014	896,659
		$0.19	November 14, 2015	44,112,143
		$0.19	November 26, 2015	500,000
		$0.105	March 24, 2016	91,500,000
		$0.105	May 21, 2016	7,740,000
	Stock options	$0.40	July 28, 2016	3,100,000
		$0.40	October 3, 2016	500,000
		$0.40	October 17, 2016	2,000,000
		$0.25	September 12, 2017	4,750,000
		$0.105/$0.135/ $0.165/$0.195	May 31, 2018	9,100,000
		$0.105	February 27, 2018	725,000
		$0.06/$0.09/$0.12/$015	May 28, 2019	10,475,000
				504,784,860

Commitments and Contingencies

Contingencies

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

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares.

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of three months or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company is uncertain as to whether its current capital resources will be sufficient to carry its exploration plans and operations through its current operating period and, accordingly, management is reviewing the timing and scope of current exploration plans and is also pursuing other financing alternatives to fund the Company's operations.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

New accounting standards adopted

The following new accounting standards were adopted effective January 1, 2013:

IFRS 10, "Consolidated Financial Statements", requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, "Consolidation - Special Purpose Entities", and parts of IAS 27, "Consolidated and Separate Financial Statements". The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures". There was no significant impact to the Company upon implementation of the issued standard.

New accounting standards not yet adopted - *continued*

IFRS 11, “Joint Arrangements”, requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, “Interests in Joint Ventures”, and SIC-13, “Jointly Controlled Entities - Non-monetary Contributions by Venturers”. The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, “Consolidated Financial Statements”, IFRS 12, “Disclosure of Interests in Other Entities”, IAS 27 (2011), “Separate Financial Statements” and IAS 28 (2011), “Investments in Associates and Joint Ventures”. There was no significant impact to the Company upon implementation of the issued standard.

IFRS 12, “Disclosure of Interests in Other Entities”, establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities. The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, “Consolidated Financial Statements”, IFRS 11, “Joint Arrangements”, IAS 27 (2011), “Separate Financial Statements” and IAS 28 (2011), “Investments in Associates and Joint Ventures”. There was no significant impact to the Company upon implementation of the issued standard.

IFRS 13, “Fair Value Measurement”, is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. There was no significant impact to the Company upon implementation of the issued standard.

IAS 32, Offsetting Financial Assets and Financial Liabilities – In 2011, the IASB issued amendments to IAS 32 clarifying the meaning of “currently has a legal enforceable right to set-off and the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments are required to be adopted for periods beginning November 1, 2014. The Company is currently analyzing the impact, if any, that the adoption of this standard will have on its financial statements.

Recoverable Amount Disclosures for Non-Financial Assets - Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The Company is currently analyzing the impact, if any, that the adoption of this standard will have on its financial statements.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements, and IAS 28, Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10, 11, 12 and 13.

Amendments to Other Standards - continued

IFRS 7, Financial Instruments: Disclosures – In December 2011, the IASB amended IFRS 7 (Financial Instruments: Disclosures) requiring additional disclosures on offsetting of financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2013. This standard also requires additional disclosures about the initial application of IFRS 9. The IFRS 7 amendment is effective for annual periods beginning on or after January 1, 2015 (or otherwise when IFRS 9 is first applied).

In November 2009, the IASB published IFRS 9, "Financial Instruments, "which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. The effective date is postponed and is currently unknown. Early adoption is permitted and the standard is required to be applied retrospectively.

Financial and Other Instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial and Other Instruments - *continued*

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Other financial liabilities: This category includes amounts due to related parties, convertible debenture and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and cash equivalents as fair value through profit and loss. The Company's receivables and subscription receivable are classified as loans and receivables. The Company's accounts payable and accrued liabilities, due to related parties and convertible debenture are classified as other financial liabilities.

Fair value hierarchy

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

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and,
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair values of the Company's cash and cash equivalents constitutes a Level 1 fair value measurement. The fair value of the Company's receivables, subscriptions receivable, due to related parties, and accounts payable and accrued liabilities approximate the carrying value due to their short-term nature. The convertible debenture is recorded at amortized cost.

Interest rate risk

The Company has non-material exposure at June 30, 2014 to interest rate risk through its financial instruments.

Currency Risk

The Company's operations were located in Brazil where many exploration and administrative expenses were incurred in the local currency, the Brazilian Real. With the limited and wind up operations occurring for the Company's Brazilian subsidiaries, the currency risk exposure was minimal. The Company's operations have now focused to Mongolia, where many exploration and administrative expenses are incurred in the Mongolian Tugrik and the US Dollar. The Company's ability to advance funds to Mongolia is subject to changes in the valuation of the Tugrik and the US dollar, as well as rules and regulations of the Mongolian government. Fluctuations in the value of the Tugrik and the US Dollar may have an adverse effect on the operations and operating costs of the Company.

Financial and Other Instruments - *continued*

Credit risk

The Company has some cash balances and a convertible debenture. The Company has no significant concentrations of credit risk arising from operations.

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 90 days 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 June 30, 2014, the Company had a cash balance of $4,466,000 (December 31, 2013 - $1,008,000) to settle current liabilities of $273,000 (December 31, 2013 - $233,000) Further information relating to liquidity risk is disclosed in Note 1 to the interim condensed financial statements.

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.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a year:

- Cash and cash equivalents includes deposits, which are at variable interest rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by $44,660 annually.

- 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.

Critical Accounting Estimates

The preparation of 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 financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

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

Risks and Uncertainties

The Company is engaged in the business of acquiring, exploring and developing mineral properties with the expectation of locating economic deposits of minerals. All of the properties are without proven copper/gold deposits and there is no assurance that the Company's exploration programs will result in proven copper/gold deposits, nor can there be any assurance that economic deposits can be commercially mined. As a consequence, any forward-looking information is subject to known and unknown risks and uncertainties. There have been no changes to any of the known and unknown risks and uncertainties during the six-month period ended June 30, 2014. Please refer to the Company's MD&A for the year ended December 31, 2013 for a complete list of known and unknown risks and certainties.

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 interim condensed consolidated statement of loss and note disclosures contained in its interim condensed consolidated financial statements for the six-month period ended June 30, 2014. These statements are available on Kincora's website at www.kincoracopper.com or on its SEDAR Page Site accessed through www.sedar.com

Dividends

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

Management's Responsibility for Financial Statements

The information provided in this report, including the 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 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 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 financial statements and related financial reporting and internal control matters before the 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 financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Additional Information

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

Forward Looking Information

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, permitting risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements which are filed and available for review on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.