Kincora Copper Limited

(Formerly Brazilian Diamonds Limited)

(An Exploration Stage Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the six-month period ended June 30, 2012

NOTICE OF NO REVIEW BY AUDITOR

In accordance with National Instrument 51 – 102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators **WE HEREBY GIVE NOTICE THAT** the interim condensed consolidated financial statements that follow this notice have not been reviewed by the Company’s auditors.

Kincora Copper Limited

Statement 1

(Formerly Brazilian Diamonds Limited)
(An Exploration Stage Company)

Interim Condensed Consolidated Statements of Financial Position
As at,

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

		June 30, 2012		December 31, 2011 *(Audited)*
Current				
Cash and cash equivalents	**$**	**1,607**	$	3,872
Receivables, prepaids and deposits		**97**		158
		1,704		4,030
Property and equipment *(Note 12)*		**119**		104
Exploration and evaluation assets *(Note 6)*		**45,833**		38,866
	$	**47,656**	$	43,000
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**1,137**	$	364
Due to related parties *(Note 9)*		**-**		10
		1,137		374
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share Capital – *Statement 4 - (Note 7)*	**$**	**144,541**	$	139,541
Contributed Surplus – *Statement 4 - (Note 7)*		**5,871**		5,304
Accumulated other comprehensive gain – *Statement 4*		**118**		118
Deficit - *Statement 4*		**(104,011)**		(102,337)
		46,519		42,626
	$	**47,656**	$	43,000

Nature of Operations and Going Concern *(Note 1)*
Commitments and Contingencies *(Note 11)*
Subsequent Event *(Note 13)*

Approved and authorized by the Board of Directors on August 28, 2012

"*Luke Leslie*"	"*Stephen Fabian*"
Luke Leslie	Stephen Fabian
Director	Director

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

Kincora Copper Limited

(Formerly Brazilian Diamonds Limited)
(An Exploration Stage Company)

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

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

	For the three-month period ended June 30, 2012	For the three-month period ended June 30, 2011	**For the six-month period ended June 30, 2012**	For the six-month period ended June 30, 2011
Expenses				
Bank charges and interest	**$ -**	$ 1	**$ (1)**	$ 2
Corporate administrative services	**208**	41	**308**	75
Directors and audit committee fees	**33**	6	**70**	18
Exploration costs	**-**	12	**-**	15
Foreign exchange loss	**157**	29	**203**	31
Insurance	**6**	-	**12**	-
Investor relations	**43**	-	**74**	3
Legal and accounting	**105**	102	**187**	141
Salaries and management fees	**75**	30	**152**	60
Share-based compensation *(Note 7)*	**260**	-	**567**	-
Transfer agent and filing fees	**36**	45	**44**	49
Travel	**31**	7	**69**	14
	954	273	**1,685**	408
Other items				
Gain on sale of assets	**-**	(35)	**(11)**	(66)
Loss and comprehensive loss for the period	**$ 954**	$ 238	**$ 1,674**	$ 342

Weighted Average Common Shares Outstanding (000's)	**154,596**	15,032	**146,464**	11,996
Loss per common share – basic and diluted	**$ 0.01**	$ 0.02	**$ 0.01**	$ 0.03

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

Kincora Copper Limited

Statement 3

(Formerly Brazilian Diamonds 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)

Cash provided by (used in):		2012		2011
Operating Activities				
Loss for the period:	**$**	**(1,674)**	$	(342)
Items not affected by cash:				
Foreign exchange loss		**-**		13
Share-based compensation		**567**		-
Changes in non-cash working capital items:				
Receivables, prepaids and deposits		**61**		(111)
Accounts payable and accrued liabilities		**773**		304
Due to related parties		**(10)**		(704)
Net cash used in operating activities		**(283)**		(840)
Financing Activities				
Proceeds from private placement		**-**		1,666
Share issuance costs		**-**		(78)
Net cash used in financing activities		**-**		1,588
Investing Activities				
Exploration and evaluation asset expenditures		**(1,947)**		-
Purchase of equipment		**(35)**		-
Net cash provided by (used in) investing activities		**(1,982)**		-
Change in cash and cash equivalents		**(2,265)**		748
Cash and cash equivalents - beginning of period		**3,872**		167
Cash and cash equivalents - end of period	**$**	**1,607**	$	915

Supplemental cash flow information (Note 10)

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

Kincora Copper Limited

Statement 4

(Formerly Brazilian Diamonds Limited)
(An Exploration Stage Company)

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity (Deficiency)
As at June 30, 2012
(Figures in tables are expressed in thousands of Canadian dollars)
(Unaudited)

	Share capital (Number of Shares)	Share capital (Amount) $	Contributed Surplus $	Deficit $	Accumulated other comprehensive gain (loss) $	Total $
Balance - December 31, 2010	6,479,047	95,316	3,336	(99,558)	118	(788)
Shares issued in conjunction with private placement	9,700,000	970	-	-	-	970
Shares issued in conjunction with private placement	6,955,920	696	-	-	-	696
Shares issued for debt settlement	2,415,547	217	-	-	-	217
Share issuance costs	-	(78)	-	-	-	(78)
Loss for the period	-	-		(342)	-	(342)
Balance – June 30, 2011	25,550,514	97,121	3,336	(99,900)	118	675
Shares issued in conjunction with private placement	34,671,660	12,135	-	-	-	12,135
Shares issued for exploration and evaluation assets	49,118,639	17,192	-	-	-	17,192
Shares issued for exploration and evaluation assets	27,666,366	13,280	-			13,280
Warrants issued for exploration and evaluation assets	-	-	222	-	-	222
Share-based compensation	-	-	1,746	-	-	1,746
Share issuance costs – cash	-	(187)	-	-	-	(187)
Share issuance costs - shares	1,324,654	-	-	-	-	-
Loss for the year	-	-	-	(2,437)	-	(2,437)
Balance - December 31, 2011	138,331,833	139,541	5,304	(102,337)	118	42,626
Shares issued for exploration and evaluation assets	20,000,000	5,000	-	-	-	5,000
Share-based compensation	-	-	567	-	-	567
Loss for the period	-	-	-	(1,674)	-	(1,674)
Balance – June 30, 2012	**158,331,833**	**144,541**	**5,871**	**(104,011)**	**118**	**46,519**

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

1. Nature of Operations and Going Concern

Kincora Copper Limited (formerly Brazilian Diamonds 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.

During the 2010 fiscal year, the Company disposed of all significant Kincora net assets including Kincora's interests in the Coromandel and Serra da Canastra properties. These transactions resulted in the disposition of all exploration and evaluation assets interests and related assets and signifies Kincora's exit from Brazil.

Pursuant to a resolution passed by shareholders on July 29, 2010, the Company consolidated its capital on a 3 old for 1 new basis effective January 19, 2011. As a result, all references to share, option, and warrant and per share data have been adjusted to reflect the share consolidation that was completed during the year ended December 31, 2011.

The head office, registered address, and records office of the Company are located at Suite #910 – 475 Howe Street, Vancouver, British Columbia V6C 2B3. 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, 2012, the Company has an accumulated deficit of $104,011,000 and has working capital of $567,000. During the year ended December 31, 2011, the Company issued 51,327,580 shares by way of two private placements at $0.10 and $0.35, per share for total proceeds of $13,800,673 *(See Note 7)*. 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

These interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and IFRS 1, First-time Adoption of International Financial Reporting Standards.

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 consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2011 prepared in accordance with IFRS applicable to annual financial statements.

Critical Accounting Estimates

The preparation of these 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 recoverability of receivables that are included in the statements of financial position based on historical collection of receivables.

ii) 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.

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

iv) 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.

v) 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 interim condensed 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 is 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 the 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

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized from the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive. Basic loss per share is calculated using the weighted average number of common shares outstanding during the period.

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) Property and equipment

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

Exploration equipment	10 - 20%
Computers	20%

f) Cash and cash equivalents

Cash equivalents consist of highly liquid investments that are readily convertible into cash within a reasonably prompt period.

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 property 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.

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.

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.

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.

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.

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

3. Significant Accounting Policies - *continued*

i) Financial instruments – *continued*

The Company has classified its cash and cash equivalents as fair value through profit and loss. The Company's receivables and due from related parties are classified as loans and receivables. The Company's accounts payable and accrued liabilities and due to related parties 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, due to/from related parties, and accounts payable and accrued liabilities approximate the carrying value due to their short-term nature.

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 year ended and as at December 31, 2011 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").

The functional currencies of the Company's subsidiaries as at June 30, 2012 and for the year-ended December 31, 2011 are as follows:

- Samsul Mineracao Ltda and Parima Mineracao Ltda– Brazilian Real

These statements of financial position have been translated to the Canadian dollar in accordance with IAS 21. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the statements of comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

3. Significant Accounting Policies - *continued*

New accounting standards not yet adopted

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, entitles 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. IFRS 9 is effective for the Company on January 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact the Company upon implementation of the issued standard.

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".

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".

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".

3. Significant Accounting Policies - *continued*

New accounting standards not yet adopted - 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.

In June 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" to: (a) require companies to group together items within other comprehensive income ("OCI") that may be reclassified to the statement of operations; and (b) require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax). The amendments also reaffirm existing requirements that items in OCI and income or loss should be presented as either a single statement or two separate statements. The amended standard is effective for annual periods beginning on or after July 1, 2012.

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.

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 pursue worth-while business opportunities and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company was 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 (deficiency). 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.

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, 2012 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 Togrog and the US Dollar. The Company's ability to advance funds to Mongolia is subject to changes in the valuation of the Togrog and the US dollar as well as rules and regulations of the Mongolian government. Fluctuations in the value of the Togrog 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 no interest-bearing debt. 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, 2012, the Company had a cash balance of $1,607,000 (December 31, 2011 - $3,872,000) to settle current liabilities of $1,137,000 (December 31, 2011 - $374,000) 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.

5. Management of Financial Risk - *continued*

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 $16,070 annually.

- The Company does hold balances in foreign currencies, Mongolian Togrog and United States dollar, to give rise to exposure to foreign exchange risk. Management believes this risk to be minimal.

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6. Exploration and Evaluation Assets

Exploration and evaluation assets – Mongolia

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.

On July 13, 2011, the Company acquired 75% of the shares of Kincora Group Limited ("KGL") for consideration of $5,673,800 (US$6,000,000) in cash, $4,278,994 (US$4,500,000) in advances on work commitments and 49,118,639 common shares of which 4,285,714 were issued to settle $1,500,000 (US$1,500,000) in exploration advances made by the vendor on behalf of the Company. KGL is incorporated in the British Virgin Islands and holds title to the Bronze Fox copper/gold project in Mongolia. The common shares issued for the acquisition were measured at the issue price of the concurrent financing, $0.35 per common share, for an aggregate fair value of $17,191,524. 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 finders' fee. The common share purchase warrants issued for the finders' fee were measured at a fair value of $222,207 using the Black-Scholes pricing model under the following assumptions: expected dividend yield: 0%; expected stock price volatility: 120%; risk-free interest rate 1.57%; expected life of warrants: 3 years. As KGL 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.

6. Exploration and Evaluation Assets – *continued*

The purchase consideration and price allocation are as follows:

Purchase consideration:		
Cash	$	5,674
Common shares	$	15,692
Warrants	$	222
	$	21,588

Purchase price allocation:		
Cash	$	1,051
Other receivables	$	19
Other payables	$	(660)
Property and equipment	$	88
Exploration and evaluation assets	$	21,090
	$	21,588

On September 19, 2011, the Company acquired the remaining 25% of the issued and outstanding shares of KGL, thereby obtaining 100% ownership of KGL, by issuing 27,666,366 common shares at $0.48, the market price of the shares on the trading date. The $13,279,856 fair value of the common shares issued was attributed to exploration and evaluation assets. These consolidated financial statements include the results of KGL's operations from July 13, 2011.

As discussed above, during fiscal 2011, the Company acquired a 100% interest in certain claims located in Mongolia called the Bronze Fox copper/gold project.

As at June 30, 2012, the exploration and evaluation assets expenditures incurred on the property to date include the following (000's):

		Balance – December 31, 2011		Exploration additions		**Balance – June 30, 2012**
Acquisition	$	35,882	$	-	**$**	**35,882**
Amortization		14		18		**32**
Assay		320		404		**724**
Camp		99		78		**177**
Drilling		2,393		577		**2,970**
Fuel		10		7		**17**
Geophysics		34		27		**61**
License/fees/taxes		4		6		**10**
Rental/utilities		6		6		**12**
Salaries		30		14		**44**
Supplies/safety gear		29		16		**45**
Sampling		28		30		**58**
Transportation/travel		17		11		**28**
Total	**$**	38,866	$	1,194	**$**	**40,060**

6. Exploration and Evaluation Assets – *continued*

On April 18, 2012, the Company acquired a 100% interest in Golden Grouse LLC ("Golden"), 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. In the event that the Company does not incur the minimum exploration expenditures by April 20, 2014, the Company will issue the 15,000,000 common shares to the vendors.

The common shares issued for the acquisition were measured using the issue 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.

The purchase consideration and price allocation are as follows:

Purchase consideration:		
Common shares	$	5,000,000

Purchase price allocation:		
Exploration and evaluation assets	$	5,000,000

As at June 30, 2012, the exploration and evaluation assets expenditures incurred on the property to date include the following (000's):

		Balance – April 18, 2012		Exploration additions		**Balance – June 30, 2012**
Acquisition	$	4,109	$	-	**$**	**4,109**
Assay		156		-		**156**
Camp/supplies		111		17		**128**
Consulting		21		-		**21**
Depreciation		14		4		**18**
Drilling		293		741		**1,034**
Environmental		3		14		**17**
Geophysics		127		-		**127**
Licenses		3		-		**3**
Labour		65		-		**65**
Mapping		26		-		**26**
Sampling		16		-		**16**
Transportation/travel		53		-		**53**
Total	**$**	4,997	$	776	**$**	**5,773**

These interim 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:

Pursuant to a resolution passed by shareholders on July 29, 2010, the Company consolidated its capital on a 3 old for 1 new basis effective January 19, 2011. As a result, all references to share, option, and warrant and per share data have been adjusted to reflect the share consolidation that was completed during the year ended December 31, 2011.

a) During the year ended December 31, 2011, the Company issued 2,415,547 shares valued at $0.09 per share, based on market price, at settlement date, to settle outstanding debt in the amount of $217,400.

b) During the year ended December 31, 2011, the Company completed a private placement by issuing 16,655,920 shares at $0.10 per share for total proceeds of $1,665,592. The private placement closed in two tranches of 9,700,000 and 6,955,920 shares being issued.

c) During the year ended December 31, 2011, the Company completed a private placement by issuing 34,671,660 shares at $0.35 per share for total proceeds of $12,135,081.

   In connection with the private placement the Company paid finders' fees in the amount of $265,120 in cash and issued 1,324,654 shares valued at $463,629 or $0.35 per share.

d) During the year ended December 31, 2011, the Company issued 49,118,639 shares valued at $17,191,524 or $0.35 per share in connection with the acquisition of the Bronze Fox exploration and evaluation assets. *(See Note 6)*

e) During the year ended December 31, 2011, the Company issued 27,666,366 shares valued at $13,279,856 or $0.48 per share in connection with the acquisition of the Bronze Fox exploration and evaluation assets. *(See Note 6)*

f) During the six-month period ended June 30, 2012, the Company issued 20,000,000 shares valued at $5,000,000 or $0.05 per share in connection with the acquisition of the Golden Grouse exploration and evaluation assets. *(See Note 6)*

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.

7. Share Capital and Contributed Surplus - *continued*

Stock options - continued:

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

	Number of options	Weighted Average Exercise Price
Balance outstanding – December 31, 2010	76,667	11.36
Expired	(76,667)	11.36
Granted	9,700,000	0.40
Balance outstanding - December 31, 2011	9,700,000	$0.40
Granted	100,000	$0.45
Cancelled	(400,000)	$0.50
Balance outstanding – June 30, 2012	**9,400,000**	**$0.40**

As at June 30, 2012, the following stock options are outstanding and exercisable:

Number	Price per share	Expiry date	Options exercisable
3,800,000	$0.40	July 28, 2016	3,800,000
500,000	$0.40	October 3, 2016	500,000
5,000,000	$0.40	October 17, 2016	-
100,000	$0.45	February 9, 2017	100,000
9,400,000			**4,400,000**

The weighted average fair value per stock option granted during fiscal 2011 was $0.33 (2010 -$Nil) per option.

a) During the year ended December 31, 2011, the Company granted 400,000 stock options exercisable in four tranches at $0.50 for the first two vesting periods and at $0.70 for the remaining two to an investor relations firm to provide strategic marketing and investor relations services. $29,020 has been recorded as share based compensation based upon the vesting of the options granted.

b) During the year ended December 31, 2011, the Company granted a total of 3,800,000 stock options to certain directors, officers, employees at an exercise price of $0.40. $1,397,619 has been recorded as share based compensation based upon the vesting of options granted. All of the options are exercisable for a period of 5 years from the date of grant.

c) During the year ended December 31, 2011, the Company granted stock options to a director to purchase up to 500,000 common shares exercisable on or before October 3, 2016 at a price of $0.40 per share. $129,008 has been recorded as share based compensation based upon the vesting of options granted.

d) During the year ended December 31, 2011, the Company granted stock options the president and chief executive officer to purchase up to 5,000,000 common shares exercisable on or before October 17, 2016 at a price of $0.40 per share. The options will vest as to 2,000,000 after 12 months, 2,000,000 after 24 months and the balance after 36 months. During the six-month period ended June 30, 2012 $567,229 has been recorded as share based compensation based upon the vesting of options granted.

7. Share Capital and Contributed Surplus - *continued*

Stock options - continued:

e) During the six-month period ended June 30, 2012, the Company granted stock options to consultants to purchase up to 100,000 common shares exercisable on or before February 9, 2017 at a price of $0.45 per share. $22,309 has been recorded as share based compensation based upon the vesting of options granted.

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:

	2012	2011
Expected dividend yield	0%	0%
Expected stock price volatility	120%	120%
Risk free rate	1.29%	1.68%
Expected life of options	5 years	2-5 years

Warrants:

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

	Number of options	Weighted Average Exercise Price
Balance – January 1, 2010 and December 31, 2010	-	-
Granted	896,659	$0.35
Balance - December 31, 2011 and June 30, 2012	**896,659**	**$0.35**

In connection with the acquisition of the Bronze Fox exploration and evaluation assets, the Company issued 896,659 share purchase warrants exercisable at $0.35 per warrant for a term of three years as a finders' fee. These warrants were valued at $222,207 using the Black-Scholes model with the following assumptions: Volatility – 120%, Risk free rate – 1.52%, Expected life of warrants – 3 years, and Expected dividend yield – 0%. *(See Note 6)*

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 December 31, 2011, 44,906,795 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, 2012 with a further 7,484,466 escrow shares to be released every six months thereafter.

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 of $15,000 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 three month period ended June 30, 2012 this amount was $90,000 (June 30, 2011 - $30,000). During fiscal 2011, this amount was $150,000.

b) During the six-month period ended June 30, 2012, the Company paid office rental fees of $5,341 (June 30, 2011 - $Nil) to Nabuco Holdings Ltd ("Nabuco"), a company with a director in common.

c) During the six-month period ended June 30, 2012, the Company paid $40,140 (June 30, 2011 - $Nil) to Origo Partners PLC, a company with directors in common, for accounting and office support services in Mongolia.

d) At June 30, 2012, the Company owed $Nil (December 31, 2011 - $10,000) to companies with officers and directors in common for reimbursement general and administrative expenses.

Compensation of key management personnel

		June 30, 2012		June 30, 2011
Management fees, directors and audit committee fees	**$**	**220,447**	$	80,168
Share-based payments*		**567,229**		-
	$	**787,676**	$	80,168

** 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, 2012**		June 30, 2011
Amortization capitalized to exploration and evaluation assets	$	**21**	$	-

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. Property and Equipment

Net carrying costs at June 30, 2012 and December 31, 2011 are as follows:

	Computers	Exploration Equipment	Total
Cost			
Balance as at December 31, 2011	$ 5	$ 113	$ 118
Additions	-	37	37
Balance as at June 30, 2012	$ 5	$ 150	$ 155
Accumulated amortization			
Balance as at December 31, 2011	1	13	14
Additions (Amortization)	1	21	9
Balance as at June 30, 2012	$ 2	$ 34	$ 36
Net book value			
At June 30, 2012	$ 3	$ 116	$ 119
At December 31, 2011	$ 4	$ 100	$ 104

13. Subsequent Event

Subsequent to June 30, 2012:

a) The Company announced that it has arranged with Origo Partners PLC ("Origo") a non-brokered private placement offering of a convertible note (the "Convertible Note") in the aggregate principal amount of up to $2,500,000 (the "Offering") due and payable three years from the date of issuance (the "Maturity Date"). 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. 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 completion of the offering is subject to the approval of the TSX-V.

   In connection with the offering, the Company has agreed to give Origo certain pre-emptive rights to acquire further equity securities of the Company. Origo is currently the largest shareholder of the Company holding 46,371,083 common shares or 29.28% of the Company.

Kincora Copper Limited

(Formerly Brazilian Diamonds Ltd.)

(An Exploration Stage Company)

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

Expressed in Canadian Dollars

FOR THE SIX-MONTH PERIOD ENDED June 30, 2012

As at August 28, 2012

Introduction

The following interim management's discussion and analysis (MD&A) of the Company has been prepared as of August 28, 2012. 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, 2012, 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 development stage 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 Bronze Fox copper-gold project located in southeast Mongolia along the Oyu Tolgoi copper belt. The Bronze Fox Project is located approximately 140km to the northeast of the world-class Oyu Tolgoi copper/gold project, and is approximately 250 km from the Chinese border.

The Company's head office is located in Vancouver, Canada. The Company is a reporting issuer in Ontario, British Columbia and Alberta, Canada and its common shares trade on the TSX Venture Exchange under the symbol **KCC**.

Highlights for the six-month period ended June 30, 2012

a) On February 9, 2012, the Company granted a total of 100,000 stock options to certain consultants at an exercise price of $0.45. The options are exercisable for a period of 5 years from the date of grant.

b) The Company acquired a 100% interest in Golden Grouse LLC ("Golden"), 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. 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. In the event that the Company does not incur the minimum exploration expenditures by April 20, 2014, the Company will issue the 15,000,000 common shares to the vendors. 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.

Highlights subsequent to the six-month period ended June 30, 2012

a) The Company announced that it has arranged with Origo Partners PLC ("Origo") a non-brokered private placement offering of a convertible note (the "Convertible Note") in the aggregate principal amount of up to $2,500,000 (the "Offering") due and payable three years from the date of issuance (the "Maturity Date"). 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. 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 completion of the offering is subject to the approval of the TSX-V.

   In connection with the offering, the Company has agreed to give Origo certain pre-emptive rights to acquire further equity securities of the Company. Origo is currently the largest shareholder of the Company holding 46,371,083 common shares or 29.28% of the Company.

Highlights subsequent to the six-month period ended June 30, 2012 - *continued*

b) The Company announced that Mr. John Rickus, a director of the Company, has been appointed as President and Chief Executive Officer, effective August 1, 2012. Mr. Rickus has a degree in Geology and has over 40 years' experience in the mining industry. Mr. Rickus is Head of Technical Services for Origo Partners and the former President of Resolution Copper. His 40+ years of mining experience includes 24 years with Rio Tinto, including six years as head of Technical Services and six years as a mining executive with the Rio Tinto Copper Group. He has previously served on the Board of Directors of Palabora Mining, worked on the Somincor Copper Mine in Portugal, and the Minera Alumbrera in Argentina. He was a member of the Owners' Council for Minera Escondida in Chile and led the technical input on Rio Tinto's behalf in Freeport's Grasberg mine in Indonesia.

   Mr. Rickus succeeds Mr. Igor Kovarsky as President and CEO who resigned effective July 31, 2012. The board of directors of the Company wishes to thank Mr. Kovarsky for his contribution to the Company during his tenure as President, CEO and Director.

c) The Company announced that Mr. Jonathan (Sam) Spring has been appointed as Vice-President of Corporate Development effective immediately. Sam 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. Previous to this role, he had 5 years as a metals and mining research analyst covering, and providing advisory services, to the junior-mid cap sector, and was involved in the formation and funding of Kincora Copper in mid-2011. In 2009, he won the Association of Mining Analysts (AMA - UK) Equity Mining Analyst of the Year. Sam has a commerce degree from the University of Melbourne, is a Chartered Accountant (ICAA) and CFA Charter holder.

Exploration and Evaluation Assets

Bronze Fox Project (Buyant and Manlai Licences)

The Bronze Fox project is located on the copper-gold belt in southeast Mongolia that also hosts the world-class Oyu Tolgoi deposit and is registered with the Mongolian government authority under the license numbers of #15000X, 15075X, and 15076X with a total area of 62202.25 hectares. A government-planned rail line from Tavan Tolgoi to Sainshand, scheduled for construction in 2012, will pass 20 km from the mining site, and existing rail line is 200 km away.

History

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 acquired that 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 (15000X) in 2010 and 2011, two drilling programs totaling over 17599 meters of diamond and RC drilling have been undertaken. Geological mapping, VIP and DDIP/PDIP, ground magnetic surveys and soil geochemistry sampling programs were conducted over the licence area and further potential target areas identified.

Exploration and Evaluation Assets – *continued*

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

- RC drilling: 3920m
- Diamond drilling: 1400m
- 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 11497 core 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 square meters
- Soil geochemistry sampling: for the whole license area at a grid of 200m
- Rock chip sample along Russian trenches: totally 1175 samples sampled

Project Overview

Three types of potential mineralization hosted in the project area of the 3 exploration licences. Those are porphyry style of Cu-Au-Mo, structural controlled hydrothermal Au, and shear zone Au. Current exploration work mainly concentrates on porphyry Cu-Au-Mo targets and structural controlled hydrothermal Au. Porphyry Cu-Au-Mo targets are mainly in West Kasulu area. 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, Buchanan Heights, and Tourmaline Hill, associated with breccia and also strong silicification, argillic, sericitic, and choloritization alterations, sometimes with copper mineralization associated too (up to 1.86% Cu). In Tourmaline Hill this type of mineralization is also with extensive tourmaline breccia and veins associated. Shear zone gold potential appears in Happy Geo zone, indicated by high grade gold rock chip samples (with up to 91g/t Au), soil gold anomalies (up to 1-2.5g/t Au), and large alteration zones of argillic and sericitic with trace sulfides, where further exploration work warranted. Current exploration result indicates significant resource potential in the project area.

In April 2012, the Company acquired a 100% interest in Golden Grouse LLC, gaining a further 2 exploration licenses in Mongolia. Those two licenses consist of license 15075X (24670.37 hectares) and license 15076X (15208.54 hectares) which are immediately adjacent to the west and north boundary of license 15000X. The license of 15075X covers historical Ivanhoe's projects of Tourmaline Hill, West Fox, and part of Bronze Fox but with much larger land coverage. Ivanhoe had conducted scout drilling (diamond), trenching, ground magnetic survey and IP work over the project area. In fiscal year 2011, Golden Grouse LLC completed the following work over the two license areas:

- 23 RC and 2 diamond holes (extended from RC holes) with a total length of 2487m
- 3 trenches with a total length of 1099m
- 533 rock chip sampling
- DDIP of 54.6 line km concentrated in Tourmaline Hill area
- Selective areas of ground magnetic survey
- Soil geochemistry: covers two licences with grid of 1000mX500m, 250mX250m, and 100mX100m, with a total 3741 samples.

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Exploration and Evaluation Assets - *continued*

Exploration Update

Since January 1, 2012 until August 10, 2012, the following exploration work has been completed:

- In March and early April 2012, infill soil geochemistry sampling in an area of 45 square km was completed, a total of 3,397 soil samples have been collected and all the assay returns have been received;
- 3D IP survey in the south part of licence 15000X: 9 arrays totaling a length of 38.4 km line has been completed and the data is being processed;
- Rock chip sampling over Happy Geo zone: 650 rock chips sampled, 650 samples have been received;
- During early April and May, archaeology study over all the 3 licences was completed.
- Drilling program started on May 3, 2012 to August 10, 2012, totaling 8,087m diamond holes (22 holes) drilled. 3,387 cores sampled, including: core 3,087, standard 166, duplicate 68, blank 80. 2242 samples with returns, 1091 samples are in lab still being processed.

The significant results from the work completed include:

- F62, in WK, 180 cores cut and assayed with return of 180m of average copper grade across 180m is 0.5% Cu and 0.1g/t Au with associated Mo mineralization up to 0.33% Mo; including 37m averaging 0.829% Cu, 0.14g/t Au, and 0.04% Mo between 573m to 610m or 1.11% CuEq.

- F50, in WK drilled to 319.5m with the entire hole intersecting low grade copper mineralization. The hole collapsed in an argillic zone and could not be penetrated further.

- F57 in West Kasulu drilled to 517m with all of the holes intersecting copper mineralization which included 151m averaging 0.25% cu from 217m to 368m with up to 1.16% Cu and 64m of 0.297% Cu from 217m to 281m with up to 1.67% Cu.

- F61 in TH, intersecting 1m of 2.74g/t Au between 39m to 40m and 5m averaging 2.65g/t Au between 60m to 65m including 3m of 3.45g/t to 4.70g/t.

- F51 in TH, intersected 6m averaging 0.67g/t Au between 39m and 45m with up to 1.18g/t Au and 1m of 0.8g/t Au at 154m;

- F59 intersected 14m at an average of 0.39g/t Au from 273-287m with up to 1.49g/t Au.

- F77 in TH, intersected 25m at an average of 0.29% Cu, 72-73m, with 1.03% Cu, 76-78m, 1.72% Cu

- In HG, 20 samples are with >1g/t Au with highest return of 42.5 g/t.

John Rickus, a director of Kincora, is the Qualified Person who prepared this information that forms the basis for the scientific and technical information contained in this MD&A.

Exploration and Evaluation Assets - *continued*

Summary diamond drilling results[1]

HoleID	DH_From	DH_To	Au_ppm	Cu_pct	Mo_ppm
F50	14	15	0.04	**0.233**	21
F50	15	16	0.05	**0.291**	6
F50	16	17	0.03	**0.218**	7
F50	17	18	0.12	**0.78**	11
F50	19	20	0.03	**0.302**	4
F50	20	21	0.04	**0.268**	4
F50	21	22	0.03	**0.245**	3
F50	22	23	0.02	**0.208**	1
F50	23	24	0.04	**0.218**	5
F50	25	26	0.09	**0.255**	2
F50	26	27	0.06	**0.244**	2
F50	27	28	0.06	**0.235**	5
F50	28	29	0.04	**0.256**	2
F50	29	30	0.04	**0.233**	4
F50	30	31	0.04	**0.329**	2
F50	30	31	0.03	0.209	1
F50	31	32	0.02	**0.221**	1
F50	32	33	0.04	**0.398**	16
F50	33	34	0.03	**0.359**	5
F50	34	35	0.05	**0.31**	4
F50	35	36	0.03	**0.302**	2
F50	36	37	0.11	**0.26**	3
F50	37	38	0.17	**0.261**	1
F50	38	39	0.08	**0.416**	2
F50	39	40	0.08	**0.275**	1
F50	40	41	0.11	**0.328**	1
F50	41	42	0.06	**0.302**	4
F50	42	43	0.12	**0.259**	2
F50	44	45	0.08	**0.36**	2
F50	45	46	0.09	**0.375**	2
F50	46	47	**0.32**	**0.293**	3
F50	46	47	0.2	**0.208**	2
F50	47	48	0.16	**0.239**	1
F50	48	49	0.12	**0.246**	1
F50	49	50	0.25	**0.263**	1
F50	50	51	0.06	**0.261**	22
F50	51	52	0.08	**0.307**	5

F50	52	53	0.07	**0.208**	3
F50	53	54	0.13	**0.245**	5
F50	54	55	0.1	**0.307**	4
F50	55	56	0.13	**0.262**	1
F50	56	57	0.2	**0.216**	1
F50	**56**	**57**	**0.23**	**0.248**	**1**
F50	58	59	0.03	**0.21**	1
F50	64	65	0.09	**0.253**	4
F50	65	66	0.03	**0.209**	2
F50	66	67	0.1	**0.21**	2
F50	72	73	0.07	**0.262**	4
F50	77	78	0.07	**0.264**	3
F50	79	80	0.05	**0.299**	3
F50	80	81	0.08	**0.224**	1
F50	83	84	0.04	0.225	3
F50	85	86	0.04	**0.21**	6
F50	98	99	0.05	**0.213**	3
F50	105	106	0.09	**0.212**	2
F50	108	109	0.07	**0.235**	1
F50	113	114	0.08	**0.206**	2
F50	121	122	0.09	**0.202**	5
F50	125	126	0.16	**0.429**	1
F50	135	136	**0.98**	**0.407**	2
F50	136	137	0.18	**0.396**	1
F50	137	138	0.16	**0.259**	2
F50	138	139	0.07	**0.22**	2
F50	138	139	0.08	0.256	1
F50	149	150	0.04	**0.296**	1
F50	151	152	0.03	**0.247**	3
F50	152	153	0.22	**1.39**	3
F50	153	154	**0.41**	**0.364**	6
F50	154	155	0.13	**0.457**	26
F50	155	156	0.05	**0.227**	7
F50	161	162	0.14	**0.284**	1
F50	162	163	0.14	**0.411**	3
F50	163	164	0.09	**0.382**	2
F50	164	165	0.05	**0.234**	2
F50	182	183	0.09	**0.263**	1
F50	183	184	0.11	**0.297**	2
F50	184	185	0.15	**0.329**	2
F50	190	191	0.05	**0.206**	1

F50	195	196	0.13	**0.273**	4
F50	197	198	0.07	**0.246**	6
F50	198	199	0.08	**0.205**	11
F50	209	210	0.1	**0.312**	2
F50	210	211	0.09	**0.284**	3
F50	219	220	0.04	**0.213**	2
F50	220	221	0.04	**0.294**	2
F50	221	222	0.04	**0.323**	2
F50	223	224	0.03	**0.203**	2
F50	224	225	0.06	**0.291**	2
F50	228	229	0.04	**0.201**	1
F50	232	233	0.21	**0.221**	7
F50	233	234	0.1	**0.252**	2
F50	234	235	**0.31**	**0.295**	1
F50	236	237	0.09	**0.24**	1
F50	237	238	0.11	**0.25**	1
F50	238	239	0.05	**0.244**	2
F50	239	240	0.12	**0.259**	2
F50	240	241	0.06	**0.299**	4
F50	241	242	0.29	**0.558**	1
F50	242	243	0.09	**0.256**	1
F50	243	244	0.11	**0.231**	1
F50	244	245	0.19	**0.24**	2
F50	245	246	0.15	**0.261**	1
F50	246	247	0.09	**0.324**	1
F50	246	247	0.06	0.286	1
F50	247	248	0.07	**0.305**	1
F50	250	251	0.15	**0.357**	2
F50	251	252	0.2	**0.49**	4
F50	252	253	0.14	**0.21**	2
F50	253	254	0.13	**0.254**	1
F50	254	255	0.08	**0.214**	3
F50	255	256	0.12	**0.244**	7
F50	256	257	0.13	**0.256**	2
F50	257	258	0.18	**0.243**	1
F50	258	259	0.19	**0.27**	2
F50	259	260	0.11	**0.224**	6
F50	262	263	0.24	**0.341**	13
F50	263	264	0.26	**0.258**	7
F50	264	265	0.17	**0.362**	3
F50	265	266	**0.66**	**0.228**	7

F50	267	268	0.12	**0.267**	7
F50	268	269	0.11	**0.262**	5
F50	269	270	0.12	**0.225**	4
F50	284	285	0.23	**0.243**	12
F50	285	286	0.09	**0.237**	**737**
F50	287	288	0.24	**0.23**	20
F50	288	289	0.21	**0.235**	4
F50	289	290	0.12	**0.235**	1
F50	290	291	0.24	**0.219**	2
F50	291	292	0.16	**0.248**	2
F50	292	293	0.09	**0.371**	1
F50	293	294	0.2	**0.52**	1
F50	294	295	0.11	**0.287**	2
F50	298	299	**0.33**	**0.227**	1
F50	299	300	0.11	**0.311**	1
F50	303	304	0.06	**0.234**	2
F50	304	305	0.25	**0.262**	22
F50	308	309	0.03	**0.211**	1
F50	309	310	0.1	**0.237**	1
F50	310	311	0.06	**0.246**	1
F50	311	312	0.04	**0.252**	1
F50	317	318	0.02	**0.216**	7
F50	318	319.5	0.04	**0.219**	2
F51	85	86	0.28	**0.382**	11
F51	86	87	0.28	**0.295**	1
F51	301	302	0.146	**0.527**	
F57	38	39	0.059	**0.238**	1.99
F57	40	41	0.247	**0.228**	1.75
F57	70	71	0.071	**0.246**	2.61
F57	80	81	0.05	**0.216**	37
F57	124	125	0.1	**0.266**	11
F57	181	182	0.039	**0.205**	256
F57	183	184	0.041	**0.227**	**367**
F57	185	186	0.047	**0.218**	16
F57	188	189	0.033	**0.202**	8
F57	189	190	0.046	**0.201**	123
F57	198	199	0.059	**0.201**	90
F57	217	218	0.04	**0.239**	2
F57	218	219	0.047	**0.357**	
F57	220	221	0.045	**0.252**	
F57	221	222	0.074	**0.607**	
F57	222	223	0.04	**0.261**	
F57	224	225	0.039	**0.225**	2
F57	225	226	0.037	**0.206**	2

F57	226	227	0.053	0.343	26
F57	227	228	0.042	0.271	72
F57	231	232	0.051	0.288	23
F57	232	233	0.052	0.322	3
F57	233	234	0.039	0.205	2
F57	234	235	0.053	0.293	
F57	235	236	0.048	0.271	32
F57	236	237	0.038	0.248	6
F57	237	238	0.229	0.606	9
F57	238	239	0.05	0.281	2
F57	239	240	0.054	0.31	29
F57	240	241	0.09	0.754	1230
F57	241	242	0.275	0.371	873
F57	242	243	0.067	0.319	228
F57	243	244	0.056	0.412	125
F57	244	245	0.036	0.222	257
F57	248	249	0.076	0.243	4
F57	249	250	0.091	0.321	33
F57	250	251	0.057	0.237	
F57	251	252	0.061	0.225	8
F57	254	255	0.073	0.294	4
F57	255	256	0.103	0.534	72
F57	256	257	0.155	1.16	12
F57	267	268	0.03	0.217	3
F57	269	270	0.04	0.224	5
F57	271	272	0.056	0.324	5
F57	275	276	0.121	0.995	95
F57	276	277	0.082	0.467	21
F57	277	278	0.099	0.625	3
F57	278	279	0.046	0.384	
F57	279	280	0.031	0.217	6
F57	280	281	0.2	1.67	27
F57	281	282	0.033	0.203	3
F57	282	283	0.031	0.201	7
F57	283	284	0.037	0.213	30
F57	288	289	0.059	0.316	7
F57	289	290	0.034	0.257	
F57	290	291	0.041	0.306	15
F57	292	293	0.056	0.212	6
F57	293	294	0.047	0.269	25
F57	301	302	0.04	0.275	5
F57	303	304	0.033	0.206	3
F57	304	305	0.042	0.219	6
F57	306	307	0.054	0.235	10
F57	307	308	0.033	0.295	153
F57	308	309	0.026	0.348	119
F57	309	310	0.046	0.251	2
F57	310	311	0.044	0.259	36

F57	311	312	0.049	**0.322**	219
F57	312	313	0.059	**0.352**	258
F57	313	314	0.038	**0.202**	4
F57	315	316	0.04	**0.253**	**990**
F57	316	317	0.064	**0.554**	125
F57	317	318	0.031	**0.248**	150
F57	318	319	0.036	**0.284**	94
F57	319	320	0.062	**0.334**	**2000**
F57	320	321	0.032	**0.204**	11
F57	321	322	0.052	**0.24**	**3730**
F57	327	328	0.127	**0.577**	8
F57	328	329	0.095	**0.347**	27
F57	329	330	0.061	**0.331**	**633**
F57	331	332	0.05	**0.221**	13
F57	333	334	0.034	**0.207**	**439**
F57	334	335	0.055	**0.325**	**636**
F57	335	336	0.038	**0.231**	7
F57	341	342	0.062	**0.238**	65
F57	342	343	0.068	**0.361**	4
F57	344	345	0.089	**0.217**	5
F57	347	348	0.06	**0.247**	249
F57	350	351	0.048	**0.233**	137
F57	354	355	0.064	**0.392**	**1120**
F57	355	356	0.063	**0.335**	196
F57	**355**	**356**	**0.096**	**0.612**	**504**
F57	359	360	0.04	**0.219**	98
F57	364	365	0.118	**0.252**	**392**
F57	365	366	0.043	**0.397**	**346**
F57	366	367	0.027	**0.225**	6
F57	377	378	0.086	**0.264**	93
F57	382	383	0.051	**0.235**	11
F57	383	384	0.057	**0.326**	207
F57	384	385	0.097	**0.516**	**5520**
F57	386	387	**0.373**	**1.08**	**481**
F57	387	388	0.107	**0.318**	7
F57	389	390	0.068	**0.295**	19
F57	390	391	0.051	**0.265**	3
F57	391	392	0.136	**0.905**	10
F57	393	394	0.045	**0.279**	11
F57	394	395	0.043	**0.221**	17
F57	403	404	0.043	**0.234**	252
F57	404	405	0.039	**0.246**	15
F57	405	406	0.099	**0.684**	49
F57	408	409	0.036	**0.211**	50
F	4	4	0.0 3 5	**0.226**	9
F57	409	410	0.046	**0.321**	19

F57	410	411	0.068	**0.393**	19
F57	412	413	0.058	**0.451**	7
F57	414	415	0.04	**0.281**	25
F57	417	418	0.048	**0.234**	8
F57	422	423	0.028	**0.225**	4
F57	423	424	0.055	**0.4**	5
F57	424	425	0.06	**0.463**	83
F57	438	439	0.048	**0.387**	101
F57	444	445	0.069	**0.333**	32
F57	445	446	0.089	**0.482**	20
F57	452	453	0.042	**0.251**	10
F57	454	455	0.045	**0.244**	12
F57	455	456	0.039	**0.241**	7
F57	457	458	0.054	**0.201**	17
F57	458	459	0.049	**0.259**	190
F57	460	461	0.039	**0.263**	173
F57	461	462	0.042	**0.299**	18
F57	462	463	0.034	**0.222**	4
F57	465	466	0.041	**0.22**	84
F57	466	467	0.079	**0.342**	16
F57	473	474	0.056	**0.298**	6
F57	477	478	0.069	**0.421**	38
F57	478	479	0.06	**0.394**	52
F57	479	480	0.074	**0.41**	40
F57	494	495	0.057	**0.3**	**680**
F57	496	497	0.065	**0.265**	47
F57	514	515	0.037	**0.21**	2
F62	570	571	0.063	**0.428**	34
F62	572	573	0.043	**0.31**	60
F62	573	574	0.151	**0.876**	**1010**
F62	574	575	0.113	**0.704**	9
F62	575	576	0.126	**0.448**	5
F62	576	577	0.135	**0.602**	4
F62	577	578	0.096	**0.808**	**1740**
F62	578	579	0.088	**0.428**	36
F62	579	580	0.113	**0.484**	76
F62	580	581	0.111	**0.55**	146
F62	581	582	0.16	**0.833**	**735**
F62	583	584	**0.315**	**1.13**	**2120**
F62	584	585	**0.257**	**1.48**	14
F62	585	586	0.088	**0.478**	109
F62	586	587	**0.209**	**0.381**	7
F62	587	588	0.065	**0.484**	23
F62	588	589	0.057	**0.58**	5
F62	589	590	0.083	**0.678**	
F62	590	591	0.07	**0.553**	
F62	591	592	0.13	**0.571**	
F62	592	593	0.11	**0.708**	4

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F62	593	594	0.079	**0.52**	4
F62	594	595	0.083	**0.566**	
F62	595	596	**0.218**	**1.19**	133
F62	596	597	**0.348**	**1.24**	41
F62	597	598	0.14	**1.09**	17
F62	598	599	0.132	**1.21**	236
F62	599	600	0.097	**0.962**	**408**
F62	600	601	0.186	**1.35**	**1210**
F62	602	603	0.145	**1.12**	**445**
F62	603	604	**0.312**	**1.59**	**3070**
F62	604	605	0.169	**1.34**	84
F62	605	606	0.147	**1.05**	**3310**
F62	606	607	0.124	**1.06**	9
F62	607	608	0.187	**1.43**	68
F62	608	609	0.124	**0.972**	57
F62	609	610	0.115	**0.648**	15
F62	610	611	0.059	**0.373**	2
F62	613	614	0.055	**0.313**	3
F62	614	615	0.103	**0.344**	
F62	615	616	0.078	**0.335**	
F62	616	617	0.064	**0.353**	
F62	617	618	0.107	**0.632**	
F62	621	622	0.082	**0.371**	
F62	630	631	0.059	**0.379**	9
F62	631	632	0.086	**0.486**	3
F62	632	633	0.116	**0.855**	102
F62	633	634	0.117	**0.682**	4
F62	634	635	0.107	**0.524**	
F62	635	636	0.092	**0.483**	71
F62	649	650	0.131	**0.416**	33
F62	652	653	0.074	**0.34**	99
F62	653	654	0.062	**0.305**	88
F62	655	656	0.055	**0.397**	3
F62	656	657	0.116	**0.491**	8
F62	657	658	**0.358**	**1.14**	23
F62	658	659	0.111	**0.39**	18
F62	659	660	0.122	**0.585**	3
F62	660	661	0.127	**0.74**	145
F62	661	662	**0.289**	**0.964**	44
F62	662	663	0.114	**0.459**	**564**
F62	663	664	0.141	**0.684**	9
F62	664	665	0.129	**0.504**	20
F62	667	668	0.145	**0.478**	67
F62	668	669	**0.252**	**0.915**	84
F62	669	670	0.147	**0.679**	29
F62	670	671	0.115	**0.484**	10
F62	671	672	**0.256**	**0.879**	292
F62	672	673	**0.206**	**0.557**	86

F62	673	674	0.077	**0.515**	9
F62	674	675	0.125	**0.463**	**1090**
F62	675	676	0.129	**0.44**	286
F62	676	677	0.183	**0.528**	11
F62	677	678	0.066	**0.366**	4
F62	678	679	0.188	**0.369**	6
F62	679	680	0.113	**0.353**	22
F62	680	681	0.115	**0.428**	**460**
F62	681	682	0.055	**0.329**	
F62	682	683	0.132	**0.544**	6
F62	683	684	0.131	**0.534**	247
F62	684	685	0.098	**0.422**	65
F62	685	686	0.11	**0.354**	
F62	686	687	**0.314**	**0.924**	**411**
F62	687	688	0.112	**0.676**	2
F62	688	689	0.191	**0.834**	105
F62	689	690	**0.251**	**0.869**	**549**
F62	690	691	0.119	**0.61**	3
F62	691	692	**0.218**	**0.962**	36
F62	692	693	0.095	**0.602**	12
F62	693	694	0.129	**0.548**	14
F62	694	695	0.076	**0.354**	2
F62	695	696	0.076	**0.347**	194
F62	697	698	0.15	**0.557**	263
F62	698	699	0.174	**0.812**	6
F62	699	700	0.076	**0.519**	23
F62	700	701	**0.209**	**0.675**	9
F62	701	702	0.169	**0.917**	109
F62	705	706	0.114	**0.531**	32
F62	706	707	0.107	**0.52**	7
F62	707	708	0.131	**0.719**	47
F62	708	709	0.073	**0.536**	77
F62	711	712	0.096	**0.574**	74
F62	712	713	**0.208**	**0.873**	35
F62	714	715	**0.245**	**0.823**	3
F62	715	716	**0.261**	**1.14**	7
F62	716	717	**0.22**	**0.754**	
F62	717	718	0.079	**0.438**	166
F62	718	719	0.089	**0.373**	44
F62	720	721	0.108	**0.436**	19
F62	722	723	0.119	**0.571**	4
F62	723	724	0.135	**0.685**	
F62	724	725	0.074	**0.684**	
F62	725	726	0.051	**0.32**	14
F62	726	727	0.101	**0.565**	60
F62	727	728	0.033	**0.32**	**512**
F62	728	729	0.078	**0.49**	14
F62	729	730	**0.297**	**1.58**	52

F62	730	731	0.195	**0.954**	34
F62	732	733	0.075	**0.483**	21
F62	733	734	0.055	**0.329**	8
F62	734	735	0.074	**0.4**	16
F62	735	736	0.084	**0.42**	15
F62	737	738	0.076	**0.418**	5
F62	738	739	0.061	**0.38**	205
F62	739	740	0.081	**0.376**	5
F62	740	741	0.135	**0.507**	15
F62	741	742	0.08	**0.571**	26
F62	743	744	0.137	**0.655**	206
F62	748	749	0.095	**0.465**	6
F62	749	750	0.064	**0.351**	
F59	280	281	**0.211**	**0.323**	4
F77	72	73	0.121	**1.03**	3
F77	76	77	0.158	**1.86**	2
F77	77	78	**0.238**	**1.58**	2
F61	39	40	**2.74**	**0.419**	14

Notes:

1. Quality assurance: All of the core samples were assayed by Actlabs and SGS laboratories, both are internationally recognized laboratory. (http://www.actlabs.com/page.aspx?menu=60&app=206&cat1=495&tp=2&lk=no; http://www.sgs.com/en/Mining/Analytical-Services/Geochemistry.aspx).
   All the samples were assayed with 50 gram fire assay for Au, and ICP assay for Cu, Mo, Ag, Zn, etc with Actlab' code of 1F2 (34 elements) and SGS' code of ICP40B (45 elements). 5% of standards, 3% of blanks, and 1% of duplicates were used for assay quality control. The Company has formal sample analysis service contracts with Actlabs and SGS for drill core, soil, rock chip, etc. samples in 2012.
2. Results only partially received from the laboratories

Results of Operations

Three-Month Period Ended June 30, 2012

The Company's loss for the three-month period ended June 30, 2012 (the "Current Period") was $954,000 or $0.01 per share as compared with a loss of $238,000 or $0.02 per share for the three-month period ended June 30, 2011 (the "Comparative Period").

General and administrative expenses were $681,000 higher in the Current Period at $954,000 compared with $273,000 in the Comparative Period. This difference was mainly due to increases in share-based compensation costs ($260,000 versus $Nil) due to the granting of incentive stock options to officers, directors and consultants, increased corporate administrative services ($208,000 versus $41,000) due to the acquisition of Mongolian subsidiaries and incurring administrative costs with the newly acquired companies, higher travel costs ($31,000 versus $7,000) due to trips to Mongolia in connection with the Company's exploration property, higher investor relations fees ($43,000 versus $Nil) due to engagement of investor relations consultants and increased promotion of the Company at trade shows and conferences, higher directors and audit committee fees ($33,000 versus $6,000) due to additions to the board of directors and audit committee members of the Company, and increased salary costs ($75,000 versus $30,000) due to the hiring of a new President and Chief Executive Officer for the Company.

Six-Month Period Ended June 30, 2012

The Company's loss for the six-month period ended June 30, 2012 (the "Current Period") was $1,674,000 or $0.01 per share as compared with a loss of $342,000 or $0.03 per share for the six-month period ended June 30, 2011 (the "Comparative Period").

General and administrative expenses were $1,277,000 higher in the Current Period at $1,685,000 compared with $408,000 in the Comparative Period. This difference was mainly due to increases in share-based compensation costs ($567,000 versus $Nil) due to the granting of incentive stock options to officers, directors and consultants, increased corporate administrative services ($308,000 versus $75,000) due to the acquisition of Mongolian subsidiaries and incurring administrative costs with the newly acquired companies, increases in legal fees ($187,000 versus $141,000) due to the acquisition of the Golden Grouse subsidiary and the related legal and securities filings required, higher travel costs ($69,000 versus $14,000) due to trips to Mongolia in connection with the Company's exploration property, higher investor relations fees ($74,000 versus $3,000) due to engagement of investor relations consultants and increased promotion of the Company at trade shows and conferences, higher directors and audit committee fees ($70,000 versus $18,000) due to additions to the board of directors and audit committee members of the Company, and increased salary costs ($152,000 versus $60,000) due to the hiring of a new President and Chief Executive Officer for the Company.

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.

	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 31, 2010
In thousands $								
Financial results								
Net loss for period	954	792	2,779	1,951	238	116	516	343
Basic and diluted loss per share	0.01	0.01	0.00	0.02	0.02	0.01	0.08	0.05
Exploration expenditures	1,656	315	1,262	1,722	-	-	-	-
Statement of Financial Position								
Cash and cash equivalents	1,607	3,010	3,896	6,247	915	213	167	304
Exploration and evaluation assets	45,833	39,181	38,866	37,408	-	-	-	-
Total assets	47,656	42,379	43,000	43,826	1,063	266	204	776
Shareholders' equity (deficiency)	45,519	42,141	42,626	42,792	688	(906)	(788)	(390)

Liquidity and Capital Resources

As of June 30, 2012, the Company had $1,607,000 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 and should the Company wish to continue fieldwork on its exploration projects in 2011, further financing will be required and the Company will likely have to go to the market to achieve this. 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 growth strategy.

At June 30, 2012, the Company had working capital of $567,000. During the six-month period ended June 30, 2012, the Company used cash of $283,000 in operating activities and had investing activities of $1,982 which was used for exploration expenditures on the Company's Bronze Fox property. The Company had no financing activity during the six-month period ended June 30, 2012.

Liquidity Outlook

The Company's cash position is highly dependent on the ability to raise cash through financings and the expenditures on its exploration programs.

Management believes that the Company will likely need external financings for the following year in order to fund further exploration. 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. 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 of $15,000 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 three month period ended June 30, 2012 this amount was $90,000 (June 30, 2011 - $30,000). During fiscal 2011, this amount was $150,000.

b) During the six-month period ended June 30, 2012, the Company paid office rental fees of $5,341 (June 30, 2011 - $Nil) to Nabuco Holdings Ltd ("Nabuco"), a company with a director in common.

c) During the six-month period ended June 30, 2012, the Company paid $40,140 (June 30, 2011 - $Nil) to Origo Partners PLC, a company with directors in common, for accounting and office support services in Mongolia.

d) At June 30, 2012, the Company owed $5,851 (December 31, 2011 - $10,000) to companies with officers and directors in common for reimbursement general and administrative expenses.

Compensation of key management personnel

		June 30, 2012		June 30, 2011
Management fees, directors and audit committee fees	**$**	**220,447**	$	80,168
Share-based payments*		**567,229**		-
	$	**787,676**	$	80,168

** 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, 2012.

		Price	Expiry date	Number of common shares
Common shares, issued and outstanding				158,331,832
Securities convertible into common shares				
	Warrants	$0.35	July 15, 2014	896,659
	Stock options	$0.40	July 28, 2016	3,800,000
		$0.40	October 3, 2016	500,000
		$0.40	October 17, 2016	5,000,000
		$0.45	February 9, 2017	100,000
				168,628,491

Commitments and Contingencies

Commitments

During the year ended December 31, 2011, the Company entered into a services agreement with White Label Corporate Services Inc. ("WLM") effective July 1, 2011 and has agreed to pay a monthly corporate administration fee of $15,000 that includes office rent, administration, accounting, corporate secretarial, chief financial officer, executive assistant, IT computer maintenance and other related services. The agreement can be terminated by either party prior to expiration with 60 days written notice. The Company shares two officers in common with WLM.

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.

Going Concern

During the 2010 fiscal year, the Company disposed of all significant Kincora net assets including Kincora's interests in the Coromandel and Serra da Canastra properties. These transactions resulted in the disposition of all mineral property interests and related assets and signifies Kincora's exit from Brazil.

The interim consolidated financial statements for the six-month period ended June 30, 2012, 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, 2012, the Company has an accumulated deficit of $104,011,000 and has working capital of $567,000. During the year ended December 31, 2011, the Company issued 51,327,580 shares by way of two private placements at $0.10 and $0.35, per share for total proceeds of $13,800,673. 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.

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 Standards Not Yet Adopted

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, entitles 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. IFRS 9 is effective for the Company on January 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact the Company upon implementation of the issued standard.

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".

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".

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".

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.

New Standards Not Yet Adopted - *continued*

In June 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" to: (a) require companies to group together items within other comprehensive income ("OCI") that may be reclassified to the statement of operations; and (b) require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax). The amendments also reaffirm existing requirements that items in OCI and income or loss should be presented as either a single statement or two separate statements. The amended standard is effective for annual periods beginning on or after July 1, 2012.

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.

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.

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.

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.

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 income statement.

Other financial liabilities: This category includes promissory notes, amounts due to related parties 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 due from related parties are classified as loans and receivables. The Company's accounts payable and accrued liabilities and due to related parties 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 constitute a Level 1 fair value measurement. The fair value of the Company's receivables, due to/from related parties, and accounts payable and accrued liabilities approximate the carrying value due to their short-term nature.

Interest rate risk

The Company has non-material exposure at June 30, 2012 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 Togrog and the US Dollar. The Company's ability to advance funds to Mongolia is subject to changes in the valuation of the Togrog and the US dollar, as well as rules and regulations of the Mongolian government. Fluctuations in the value of the Togrog 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 no interest-bearing debt. 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.

Financial and Other Instruments - *continued*

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, 2012, the Company had a cash balance of $1,607,000 (December 31, 2011 - $3,872,000) to settle current liabilities of $1,137,000 (December 31, 2011 - $374,000) Further information relating to liquidity risk is disclosed in Note 1to the interim condensed consolidated 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 include deposits, which are at variable interest rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by $16,070 annually.

- The Company does hold balances in foreign currencies, the Mongolian Togrog and the 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 has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been successful in the past in obtaining financing through the sale of equity securities or joint ventures, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

The Company's property interests are located in remote, undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Power may need to be generated on site. Resource acquisition, exploration, development, and operation is a highly speculative business that involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of precious metals and other minerals may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Significant expenses may be required to locate and establish economically viable mineral deposits, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the acquisition, exploration or development programs planned by the Company will result in a profitable commercial mining operation. The potential for any project to eventually become an economically viable operation depends on numerous factors including: the quantity and quality of the minerals discovered if any, the proximity to infrastructure, metal and mineral prices (which vary considerably over time) and government regulations. The exact effect these factors can have on any given exploration property cannot accurately be predicted but the effect can be materially adverse.

The mineral industry is intensely competitive in all its phases. The Company competes with many other mineral exploration companies who have greater financial resources and technical capacity. The market price of precious metals and other minerals is volatile and cannot be controlled.

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company. The Company's directors and officers serve as directors or officers, or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction.

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, 2012. 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 GAAP.

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.