Kincora Copper Limited

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the year ended December 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Kincora Copper Ltd.

We have audited the accompanying consolidated financial statements of Kincora Copper Ltd., which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Kincora Copper Ltd. as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Kincora Copper Ltd.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

April 23, 2013

Kincora Copper Limited

Statement 1

(An Exploration Stage Company)

Consolidated Statements of Financial Position
As at December 31,

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

		2012		2011
Current				
Cash and cash equivalents	**$**	**2,681**	$	3,872
Subscriptions receivable *(Note 7)*		**606**		-
Receivables, prepaids and deposits		**108**		158
		3,395		4,030
Equipment *(Note 12)*		**131**		104
Exploration and evaluation assets *(Note 6)*		**49,615**		38,866
	$	**53,141**	$	43,000
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**302**	$	364
Due to related parties *(Note 9)*		**14**		10
		316		374
Convertible debenture *(Note 13)*		**1,882**		-
		2,198		374
SHAREHOLDERS' EQUITY				
Share capital – *Statement 4 - (Note 7)*	**$**	**149,011**	$	139,541
Contributed surplus – *Statement 4 - (Note 7g)*		**5,832**		5,304
Equity component - convertible debenture - *(Note 13)*		**721**		-
Accumulated other comprehensive gain – *Statement 4*		**118**		118
Deficit - *Statement 4*		**(104,739)**		(102,337)
		50,943		42,626
	$	**53,141**	$	43,000

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

Approved and authorized by the Board of Directors on April 23, 2013

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

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

Kincora Copper Limited

Statement 2

(An Exploration Stage Company)

Consolidated Statements of Loss and Comprehensive Loss

For the year-ended December 31,

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

		2012		2011
Expenses				
Bank charges and interest	**$**	**103**	$	(1)
Corporate administrative and office services		**504**		464
Consultants		**-**		30
Convertible debenture accretion *(Note 13)*		**103**		-
Directors and audit committee fees		**134**		101
Exploration costs		**-**		17
Foreign exchange gain		**42**		(345)
Insurance		**28**		12
Investor relations		**104**		72
Legal and audit		**237**		383
Salaries and management fees		**297**		161
Severance fees		**178**		-
Share-based compensation *(Note 7)*		**528**		1,746
Transfer agent and filing fees		**57**		103
Travel		**90**		105
		2,405		2,848
Other Item				
Gain on sale of property and equipment *(Note 12)*		**(3)**		(69)
Loss and comprehensive loss for the year	**$**	**2,402**	$	2,779

Loss per share – basic and diluted	**$**	**0.02**	$	0.04
Weighted average number of common shares outstanding ('000)		**158,637**		66,453

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

Kincora Copper Limited

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

For the year-ended December 31,

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

Cash provided by (used in):		**2012**		2011
Operating Activities				
Loss for the year:	**$**	**(2,402)**	$	(2,779)
Items not affected by cash:				
Accretion		**103**		-
Gain on disposal of equipment		**(3)**		(69)
Share-based compensation		**528**		1,746
Changes in non-cash working capital items:				
Receivables, prepaids and deposits		**50**		(103)
Accounts payable and accrued liabilities		**59**		(553)
Due to related parties		**4**		(703)
Net cash used in operating activities		**(1,661)**		(2,461)
Financing Activities				
Proceeds from convertible debenture		**2,500**		-
Proceeds from private placement		**4,078**		13,801
Share issuance costs		**(214)**		(265)
Net cash provided by financing activities		**6,364**		13,536
Investing Activities				
Acquisition of exploration and evaluation assets		**(71)**		-
Cash acquired on purchase of KGL		**-**		(4,622)
Exploration and evaluation asset expenditures		**(5,731)**		(2,787)
Proceeds from disposal of equipment		**-**		69
Purchase of equipment		**(92)**		(30)
Net cash used in investing activities		**(5,894)**		(7,370)
Change in cash and cash equivalents		**(1,191)**		3,705
Cash and cash equivalents - beginning of year		**3,872**		167
Cash and cash equivalents - end of year	**$**	**2,681**	$	3,872

Supplemental cash flow information (Note 10)

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

Kincora Copper Limited

(An Exploration Stage Company)

Statement 4

Statement of Changes in Shareholders' Equity (Deficiency)

As at December 31, 2012

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

	Share capital (Number of Shares)	Share capital (Amount) $	Contributed Surplus $	Deficit $	Equity Component – Convertible Debenture $	Accumulated other comprehensive gain $	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	-	(265)	-	-	-	-	(265)
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 - shares	1,324,654	-	-	-	-	-	-
Loss for the year	-	-	-	(2,779)	-	-	(2,779)
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
Shares issued in conjunction with private placement	44,612,143	4,684	-	-	-	-	4,684
Equity component of convertible debenture	-	-	-	-	721	-	721
Share-based compensation	-	-	528	-	-	-	528
Share issuance costs	-	(214)	-	-	-	-	(214)
Loss for the year	-	-	-	(2,402)	-	-	(2,402)
Balance – December 31, 2012	**202,943,976**	**149,011**	**5,832**	**(104,739)**	**721**	**118**	**50,943**

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

1. Nature of Operations and Going Concern

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

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, 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 of the Company is located at Suite #910 – 475 Howe Street, Vancouver, British Columbia V6C 2B3 and the registered address and records office is located at 1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117, Vancouver, British Columbia, V6E 4N7. These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company continues to incur operating losses, has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its exploration and evaluation assets projects. These material uncertainties may cast a significant doubt on the validity of this assumption.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to continue operations. As at December 31, 2012, the Company has an accumulated deficit of $104,739,000 and has working capital of $3,079,000. During the year ended December 31, 2012, the Company issued 44,612,143 shares by way of a private placement at $0.105 per share for total gross proceeds of $4,684,275 *(See Note 7)*. During the year ended December 31, 2012, the Company also issued a convertible debenture for total proceeds of $2,500,000. (*See Note 13*) 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 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 International Financial Reporting 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 consolidated financial statements.

Critical Accounting Estimates

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

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

i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position based on the planned exploration budgets and drill results of exploration programs.

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

iii) The valuations of shares issued in non-cash transactions using the quoted share price as the fair value based measurement on the date the shares are issued for the transaction.

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

3. Significant Accounting Policies

a) Basis of consolidation

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

b) Exploration and evaluation assets

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

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

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

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

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

3. Significant Accounting Policies – *continued*

c) Loss per share

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

d) Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. A corresponding increase in contributed surplus is recorded when stock options are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion of share-based compensation previously recorded in contributed surplus. Consideration paid for the shares on the exercise of stock options is credited to share capital.

Share-based compensation arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

e) Equipment

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

Exploration equipment	5 Years - Straight-line
Computers	3 Years - Straight-line

f) Cash and cash equivalents

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

3. Significant Accounting Policies - *continued*

g) Income taxes

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

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

h) Provision for environmental rehabilitation

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

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes would be recorded directly to exploration and evaluation assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, would be charged to profit or loss for the period.

As at December 31, 2012 and December 31, 2011, the Company had no provisions for environmental rehabilitation.

3. Significant Accounting Policies - *continued*

i) Financial instruments

Financial assets

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

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

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

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

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

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

Financial liabilities

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

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

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

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 are classified as loans and receivables. The Company's accounts payable and accrued liabilities, due to related parties and convertible debenture are classified as other financial liabilities.

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

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

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

j) Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries for the years ended and as at December 31, 2012 and 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").

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

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

3. Significant Accounting Policies - *continued*

New accounting standards not yet adopted

IFRS 7, Financial Instruments: Disclosures – In December 2011, the IASB amended IFRS 7 (Financial Instruments: Disclosures) requiring additional disclosures on offsetting of financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2013. This standard also requires additional disclosures about the initial application of IFRS 9. This amendment is effective for annual periods beginning on or after January 1, 2015 (or otherwise when IFRS 9 is first applied). IAS 32, Financial Instruments: Presentation was amended in December 2011 relating to application guidance on the offsetting of financial assets and financial liabilities. This standard is effective for annual periods beginning on or after January 1, 2014. There will be no significant impact to the Company upon implementation of the issued standard.

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 to 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".

3. Significant Accounting Policies - *continued*

New accounting standards not yet adopted - continued

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.

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 the development of its exploration and evaluation assets and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares. Further information relating to liquidity risk is disclosed in Note 5. In the management of capital, the Company includes the components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and cash equivalents. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of three months or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company is uncertain as to whether its current capital resources will be sufficient to carry its exploration plans and operations through its current operating period and, accordingly, management is reviewing the timing and scope of current exploration plans and is also pursuing other financing alternatives to fund the Company's operations.

5. Management of Financial Risk

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

Interest rate risk

The Company has non-material exposure at December 31, 2012 to interest rate risk through its financial instruments.

Currency Risk

The Company's operations are focused on 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 a convertible debenture (*See Note 13).* The Company has no significant concentrations of credit risk arising from operations.

Receivables consist of goods and services and the harmonized sales tax due from the Government of Canada. Management believes that the credit risk concentration with respect to receivables is remote.

5. Management of Financial Risk - *continued*

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 December 31, 2012, the Company had a cash balance of $2,681,000 (December 31, 2011 - $3,872,000) to settle current liabilities of $316,000 (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.

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 $26,810 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.

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.

6. Exploration and Evaluation Assets – *continued*

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.

The purchase consideration and price allocation are as follows *('000):*

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.

6. Exploration and Evaluation Assets – *continued*

As at December 31, 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 – December 31, 2012**
Acquisition	$	35,882	$	-	**$**	**35,882**
Amortization		14		50		**64**
Assay		320		644		**964**
Camp		99		178		**277**
Drilling		2,393		2,647		**5,040**
Fuel		10		20		**30**
Geophysics		34		148		**182**
License/fees/taxes		4		6		**10**
Management and planning		-		4		**4**
Rental/utilities		6		30		**36**
Salaries		30		39		**69**
Supplies/safety gear		29		46		**75**
Sampling		28		29		**57**
Transportation/travel		17		23		**40**
Total	**$**	38,866	$	3,864	**$**	**42,730**

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 share price on the date of issuance of the shares, $0.25 per common share, for an aggregate fair value of $5,000,000.

As Golden is in the exploration stage, with no established mineral reserves or mineral resources, the transaction has been reflected in the financial statements as an asset acquisition.

The purchase consideration and price allocation are as follows:

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

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

6. Exploration and Evaluation Assets – *continued*

As at December 31, 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 – December 31, 2012**
Acquisition	$ 4,180	$ -	**$ 4,180**
Amortization	14	18	**32**
Assay	156	44	**200**
Camp/supplies	111	58	**169**
Consulting	21	-	**21**
Drilling	293	1,658	**1,951**
Environmental	3	5	**8**
Geophysics	127	28	**155**
Labour	65	1	**66**
Mapping	26	-	**26**
Sampling	16	6	**22**
Transportation/travel	53	2	**55**
Total	**$** 5,065	$ 1,820	**$ 6,885**

These 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 share 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.

(Expressed in Canadian Dollars)

7. Share Capital and Contributed Surplus - *continued*

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 year ended December 31, 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)*

g) During the year ended December 31, 2012, the Company completed a private placement by issuing 44,612,143 units at $0.105 per unit for total gross proceeds of $4,684,275. The private placement closed in two tranches of 44,112,143 and 500,000 units being issued. Each unit consists of one common share and one common share purchase warrant. Each whole warrant will entitle the holder to acquire one common share of the Company for a period of three years expiring November 14, 2015 and November 26, 2015, respectively, at a price of $0.19 per share. At December 31, 2012, the Company had subscriptions receivable of $606,107 held in trust that was received subsequent to the December 31, 2012 year end.

Stock options:

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

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	4,850,000	$0.25
Forfeited	(3,300,000)	$0.41
Cancelled	(350,000)	$0.48
Balance outstanding – December 31, 2012	**10,900,000**	**$0.33**

(Expressed in Canadian Dollars)

7. Share Capital and Contributed Surplus - *continued*

Stock options - continued:

As at December 31, 2012, the following stock options are outstanding and exercisable:

Number	Price per share	Expiry date	Options exercisable
3,600,000	$0.40	July 28, 2016	3,600,000
500,000	$0.40	October 3, 2016	500,000
2,000,000	$0.40	October 17, 2016	2,000,000
50,000	$0.45	February 9, 2017	50,000
4,750,000	$0.25	September 12, 2017	-
10,900,000			**6,150,000**

The weighted average fair value per stock option granted during fiscal 2012 was $0.08 (2011 -$0.33) 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 year ended December 31, 2012, three million of these options were forfeited due to the resignation of the president and chief executive officer and the Company recorded $411,063 in share-based compensation based upon the options that had vested.

e) During the year ended December 31, 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.

(Expressed in Canadian Dollars)

7. Share Capital and Contributed Surplus - *continued*

f) During the year ended December 31, 2012, the Company granted stock options to the Chief Executive Officer and Vice-President of Corporate Development to purchase up to 1,250,000 and 3,500,000 common shares, respectively, exercisable on or before September 12, 2017 at a price of $0.25 per share. These options will vest as to 1,250,000 after 12 months for the president and chief executive officer, 1,000,000 after 12 months, 1,000,000 after 24 months, 1,000,000 after 36 months and the balance after 48 months for options granted to the vice-president of corporate development. $70,694 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	1.41%	1.68%
Forfeiture rate	0%	0%
Expected life of options	5 years	2-5 years

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

	Number of warrants	Weighted Average Exercise Price
Balance – December 31, 2010	-	-
Granted	896,659	$0.35
Balance –December 31, 2011	896,659	$0.35
Granted	44,612,143	$0.19
Balance - December 31, 2012	**45,508,802**	**$0.19**

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, 2012, 29,937,863 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, 2013 with a further 7,484,466 escrow shares to be released every six months thereafter.

(Expressed in Canadian Dollars)

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 year ended December 31, 2012 this amount was $180,000 (December 31, 2011 - $150,000).

b) During the year ended December 31, 2012, the Company paid office rental fees of $6,633 (December 31, 2011 - $Nil) to Nabuco Holdings Ltd ("Nabuco"), a company with a director in common.

c) During the year ended December 31, 2012, the Company paid $80,280 (December 31, 2011 - $36,600) to Origo Partners PLC, a company with directors in common, for accounting and office support services in Mongolia.

d) During the year ended December 31, 2012, the Company paid or accrued $109,421 (December 31, 2011 - $111,180 for legal services and $16,612 (December 31, 2011 - $88,775) in share issuance costs to McMillan LLP, a company with a director in common..

e) At December 31, 2012, the Company owed $14,000 (December 31, 2011 - $10,000) to companies with officers and directors in common for reimbursement of general and administrative and legal expenses.

f) During the year ended December 31, 2012, the Company paid $352,692 in salary, severance and vacation pay to a former officer of the Company (December 31, 2011 - $62,500).

g) During the year ended December 31, 2012, the Company paid management fees of $66,667 to Rickus Partners Ltd., a company with an officer in common (December 31, 2011 - $Nil).

h) During the year ended December 31, 2012, the Company paid management fees of $53,333 to Spring Resources Pty Ltd., a company with an officer in common (December 31, 2011 - $Nil).

i) During the year ended December 31, 2012, the Company paid or accrued management fees of $60,447 (December 31, 2011 - $128,388) to Massif Limited ("Massif") a company with a director in common.

Compensation of key management personnel

		December 31, 2012		December 31, 2011
Management fees, directors and audit committee fees	**$**	**224,000**	$	132,883
Share-based payments*		**505,944**		1,550,747
	$	**729,944**	$	1,683,580

** 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):*		**December 31, 2012**		December 31, 2011
Shares issued for mineral properties	$	**5,000**	$	30,472
Share subscriptions receivable	$	**606**	$	-
Fair value of finders warrants issued	$	**-**	$	222
Shares issued for debt	$	**-**	$	217
Share issuance costs – fair value of shares issued	$	**-**	$	464
Exploration and evaluation assets included in accounts payable and accrued liabilities	$	**74**	$	195
Amortization capitalized to exploration and evaluation assets	$	**68**	$	14

11. Commitments and Contingencies

Contingencies

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

12. Equipment

Net carrying costs at December 31, 2012 and December 31, 2011 are as follows *('000):*

		Computers		Exploration Equipment		Total
Cost						
Balance as at December 31, 2010	$	-	$	-	$	-
Additions		5		113		118
Balance as at December 31, 2011	$	5	$	113	$	118
Additions		3		60		63
Balance as at December 31, 2012	$	8	$	173	$	181
Accumulated amortization						
Balance as at December 31, 2010	$	-	$	-	$	-
Additions (Amortization)		1		13		14
Balance as at December 31, 2011		1		13		14
Additions (Amortization)		5		23		28
Disposals		1		7		8
Balance as at December 31, 2012	$	7	$	43	$	50
Net book value						
At December 31, 2012	$	1	$	130	$	131
At December 31, 2011	$	4	$	100	$	104

13. Convertible Debenture

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

The debenture was determined to be a compound instrument. As the debenture is convertible into common shares, the liability and equity components are presented separately. The initial carrying amount of the financial liability is determined by discounting the stream of future payments of interest and principal. Using the residual method, the carrying amount of the conversion features is the difference between the principal amount and the carrying value of the financial liability. The debenture, net of the equity component and issue costs are accreted using the effective interest rate method over the term of the debentures, such that the carrying amount will equal the total face value of the debenture at maturity. The Company has recorded $1,779,000 as the liability amount and $721,000 as the equity amount.

The Company has recorded a prorated portion of the accretion liability of $103,000 at the December 31, 2012 year end. Interest expense of $104,000 has also been accrued on a pro-rated basis relating to the annual convertible note interest payable on the debenture and debited to share capital.

(Expressed in Canadian Dollars)

14. Income Taxes

The income taxes shown in the statement of loss, comprehensive loss and deficit differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

		December 31, 2012		December 31, 2011
Loss for the year	**$**	**(2,402,000)**	$	(2,779,000)
Statutory tax rate		**25.00%**		26.5%
Expected tax recovery		**(601,000)**		(736,000)
Change in statutory, foreign tax and foreign exchange rates		**58,000**		(69,000)
Permanent difference		**307,000**		485,000
Change in unrecognized deductible temporary differences		**236,000**		320,000
Total tax recovery	**$**	**-**	$	-

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

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

		December 31, 2012		December 31, 2011
Deferred tax assets				
Exploration and evaluation assets	**$**	**-**	$	65,000
Property, plant and equipment		**66,000**		66,000
Share issuance costs		**153,000**		153,000
Non-capital losses available for future period		**6,771,000**		6,315,000
Unrecognized deferred tax assets	**$**	**6,990,000**	$	6,599,000
Deferred tax liabilities				
Convertible debt	**$**	**155,000**	$	-
Total deferred income tax liability		**155,000**		-
Recognized deferred income tax liability	**$**	**-**	$	-
Total unrecognized deferred income tax assets, net	**$**	**6,835,000**	$	6,599,000

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

		December 31, 2012		December 31, 2011	Expiry Date Range
Exploration and evaluation assets	**$**	**(79,000)**	$	258,000	No expiry date
Property, plant and equipment		**264,000**		264,000	No expiry date
Share issuance costs and other		**610,000**		612,000	2032-2036
Non-capital losses available for future periods		**23,076,000**		21,304,000	2014-onward
Total unrecognized deferred income tax assets, net	**$**	**23,871,000**	$	22,438,000	

Tax attributes are subject to review, and potential adjustment, by tax authorities.

Kincora Copper Limited

(Formerly Brazilian Diamonds Ltd.)

(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Expressed in Canadian Dollars

FOR THE YEAR ENDED
December 31, 2012

As at April 23, 2013

Introduction

The following management's discussion and analysis (MD&A) of the Company has been prepared as of April 23, 2013. This MD&A should be read in conjunction with the annual audited consolidated financial statements of Kincora Copper Ltd. and the notes thereto for the year ended December 31, 2012, which have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable.

Description of Business

Kincora Copper Limited (the "Company" or "Kincora") is a junior resource company engaged in the acquisition, exploration and development of mineral properties with a focus on copper/gold projects in Mongolia. Our key asset is the Bronze Fox copper-gold project, comprised of three adjacent exploration licenses that host an extremely large and strategically located known mineralised footprint covering over $40km^2$ of a total $622km^2$ license area, in southeast Mongolia along the Oyu Tolgoi copper belt. Kincora's ambition is to be the leading listed independent copper exploration and development company in this region. The Bronze Fox Project is located approximately 250 km from the Chinese border and within 140km of two large scale greenfield copper construction projects: Oyu Tolgoi, invested capital to date approximately US$6.6 billion and target production of up to 160,000t/ day; and, Tsagaan Suvarga, estimated capex US$1b and target production of 40,000t/ day. Other significant mines and associated infrastructure are being developed in this immediate region.

The Company's head office is located in Vancouver, Canada, with a regional office in Ulaanbaatar, Mongolia. 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**.

Corporate Highlights and Discussion

Highlights for the year ended December 31, 2012 and subsequent developments to April 23, 2013 include:

- **Large-scale exploration targets advanced:** Over 15000 metres of drilling during 2012 confirmed and significantly progressed a number of copper porphyry targets at the West Kasulu prospect (in Bronze Fox) for both bulk lower grade and deeper higher-grade copper mineralisation.. Scout drilling activities coupled with IP analysis supports a mesothermal predominately gold target approximately 4-5 km south, south-east of the West Kasulu copper porphyry target and establishment of an epithermal predominately gold target at the Tourmaline Hill prospect/neighbouring license.

- **Anomaly extends target zones and adds substance to further geophysics:** In late 2012 two previously untested anomalies at Bronze Fox, which were identified from the first phase 3D Induced Polarisation ('IP') programme earlier in the year, were drilled. Whilst not encountering economic mineralisation, both holes were technical successes, returning significant alteration warranting further exploration activities. Furthermore mineralisation encountered reconciles to the geophysics target profile, adding substance to further IP analysis and supporting a substantial new target zone of over 2kms at West Kasulu.

Corporate Highlights and Discussion - *continued*

- **Analysis of potential oxide development project commenced:** A first phase oxide development project, if viable, could provide cash flow to be reinvested into further exploration and conversion to a mining license. Following initial infill drilling and metallurgical analysis a decision to move to pre-feasibility studies for a shallow, small scale open pit mine to produce cathode copper by heap leaching is subject to further drilling, metallurgical analysis, desktop reviews and clarity on the proposed new Government Minerals Policy.

- **Executive management team strengthened:** Two senior executives have been appointed bringing valuable technical, commercial and financial markets experience with them to the Company's existing operations and business development strategy.

- **Regional consolidation and corporate opportunities advanced:** Two commercial agreements have been completed, further opportunities being evaluated and discussions with potential strategic investors regarding technical and financial synergies ongoing.

- **Successful capital raisings:** Two capital raising in the second half of 2012, with notable support from the Company's largest shareholder and a new significant scale Hong Kong based institution, provides Kincora a number of options and flexibility to resume optimal exploration activities in 2013. The Company's cash balance as at April 23, 2013 is $2,604,782 supporting board approved activities until 2014 with the management also focusing on further reducing overhead and administrative costs.

- **Planned resumption of field activities and confirmation of licenses standing:** Despite recent speculation driven by an ongoing Mongolian court case, Kincora has had confirmation from the Mineral Resources Authority of Mongolia ("MRAM") that all its licenses remain in good order. A staged systematic exploration programme is planned with field season activities expected to recommence within the next month. Also this will potentially enable Kincora to undertake a deep IP programme and possibly further drilling at identified high priority targets in the second half of the year which, if successful, could to lead to a significant exploration target range.

John Rickus, President and CEO commented, "The year 2012 was dominated by global economic contractions with the junior resource industry impacted particularly hard. Despite significant progress delivering on our stated exploration, development and acquisition strategy a series of adverse external and Mongolia specific uncertainties over this period, and emerging into 2013, have adversely affected our share price performance in particular and as well as that of most Mongolian asset classes which are trading at or near 52 week lows (or significantly longer). As such we have taken measures to strengthen the Company, align our strategy with current market conditions and I thank our shareholders for their ongoing support.

While the Bronze Fox license remains our flagship project, with field season activities in 2012 confirming and significantly advancing a number of copper porphyry targets at the West Kasulu prospect, I am pleased to confirm that recent correspondence with MRAM confirms all our licenses are in good standing. Uncertainty relating to our lower priority two Golden Grouse licenses has undoubtedly impacted our share price and led to Kincora trading at a clear discount to its listed Mongolian copper exploration peers.

Kincora continues to closely monitor key events and political developments in respect to mining and foreign investment laws. In particularly the expected resolution of current issues facing Oyu Tolgoi, the largest proposed project financing in the mining industry and achievement of Stage 1 commercial production by the end of June, is likely to be a very positive catalyst favourably impacting investor sentiment to Mongolia. This event is scheduled to occur at a time when Presidential elections will conclude (June 26), which will bring to a close a highly uncertain two year political cycle following Parliamentary elections and the subsequent change in Government last year."

Corporate Highlights and Discussion - *continued*

John Rickus further noted, “Finally, I would like to thank our Director of Exploration, Yawen Cao, and his Mongolian team for their continued hard work particularly as we shortly resume exploration activities. To reach this stage of exploration and development activities at Bronze Fox is a very commendable achievement particularly bearing in mind our licenses are only in their fourth year.

Despite the significant uncertainties that have emerged in the run up to the General Election in Maylast year we see recent external events as potential catalysts for an improvement in market sentiment towards Mongolia and especially Kincora. We note that the Mongolian Parliament has already supported an amendment to the May’12 Foreign Investment Law (SEFIL) and a proposed amendment to the securities market law. Similarly Erdene Resource Development Corp.’s strategic alliance with Teck Resources Limited is a sign of strategic investors continued interest in Mongolia, in particular, copper exploration. Teck's proposed placement is at a significant premium to Erdene’s market price and is driven by an investment in one of its non-core copper exploration projects. Kincora remains comfortably funded with planned exploration activities expected to significantly advance our asset portfolio. ”

Key Events for the Year Ended December 31, 2012

a) During 2012 a total of 15,809 metres was drilled for the year across 40 holes (previous year 12,435m across 23 holes) and continue to demonstrate that the Bronze Fox project hosts a large area of low grade copper and gold mineralisation, open at depth and in every direction with new copper and gold targets continuing to be generated. For example Hole F62 returned 661 metres at 0.35% Cu, 0.01% Mo and 0.08g/t Au (0.44% CuEq) from 399-1,060 metres, with 37 metres at 0.8% Cu (1.07% CuEq) between 573- 610 metres, supporting the potential for a deep high grade porphyry deposit. The last hole drilled in 2012, F72, supports the geophysical analysis that mineralisation encountered at the West Kasulu prospect continues into a new zone up to 2km to the east, with existing high grade mineralisation identified in some strong alteration zones indicating further high grade resource potential.

   Of the 40 holes drilled in 2012, 35 hit copper and/or gold mineralisation.. A total of 21 holes have intersections of >0.5% Cu, with 8 holes containing intersections of >1% Cu, the highest sample returning 4.06% Cu in Hole F72, approximately 2km east of the West Kasulu prospect. A summary of detailed 2012 assay results is available on the Kincora website *(http://www.kincoracopper.com/bronze-fox-project/technical-reports/2012 assay result summary).*

b) A 3D Induced Polarisation (‘IP’) programme was undertaken at the beginning of 2012 and provided the first detailed geophysical analysis to 400m below the surface at the Bronze Fox license (15000X). This analysis identified a number of new exploration targets that have little surface expressions of mineralisation. In late 2012, Holes F70 and F72 tested two high priority targets, the former identified by this programme. Both were technically successful intersecting broad zones of alteration often with lower grade copper mineralisation. Given Kincora’s extensive drilling below 400m, further IP analysis across the licenses and to greater depth is expected to improve target generation particularly given the recent success of such techniques at other large scale copper porphyry targets (including Oyu Tolgoi) and ability to reconcile existing drilling data to such geophysics. Other high priority areas within Kincora’s three licenses, such as Happy Geo and Tourmaline Hills, remain as grass root targets.

Key Events for the Year Ended December 31, 2012 - *continued*

c) Analysis of the West Kasulu potential copper oxide development project continued. An infill programme of 10 shallow holes for around 100-200 metre depths was completed in the oxide target zone in the last quarter of 2012. Results did not increase the potential oxide resources. Metallurgical analysis of the oxides was undertaken but further work is required, also desktop reviews and initial discussions for the availability and sources of water and acid have been progressed. A decision to move to pre-feasibility studies is subject to further infill drilling, metallurgical analysis, desktop reviews and clarity on the proposed new Government Minerals Policy. A number of mineralised porphyry dykes were intersected at shallow depths in hole extensions below the oxides further supporting the potential for a much larger primary source of mineralisation.

d) In April 2012, the Company, acquired a 100% interest in Golden Grouse LLC ("Golden Grouse"), which holds two mineral exploration licenses, Tourmaline Hills (15075X) and North Fox (15076X), adjoining the Company's Bronze Fox project in Mongolia. Pursuant to which the Company issued 20,000,000 common shares of which 25% remain in escrow until 18 months after the transaction closed. 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 at the end of December 2012, Kincora has spent approximately $1.82m on the Golden Grouse licenses. 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.

e) On July 9, 2012, the Company announced a non-brokered private placement offering to Origo Partners PLC ("Origo") of a convertible note in the aggregate principal amount of to $2,500,000 due and payable three years from the date of issuance. The convertible note bears interest at 8.7% per annum, calculated and paid annually by way of the issuance of common shares of the Company priced at the time of issuance in accordance with the policies of the TSX Venture Exchange, and is convertible into 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, each warrant is exercisable to purchase one common share at a price of $0.45 for a term ending at the maturity date. In connection with the offering, the Company has agreed to give Origo certain pre-emptive rights to acquire further equity securities of the Company.

f) 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 several companies in which Rio Tinto had an interest including Palabora Mining in South Africa, the Somincor Copper Mine in Portugal, and 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.

Key Events for the Year Ended December 31, 2012 - *continued*

g) The Company announced that Mr. Jonathan (Sam) Spring has been appointed as Vice-President of Corporate Development effective August 27, 2012. 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.

h) The Company in November 2012 closed the first tranche of a private placement financing for gross proceeds of $4,631,775 through the issuance of 44,112,143 units at a price of $0.105 per unit. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant will entitle the holder to acquire one common share of the Company for a period of three years expiring November 14, 2015 at a price of $0.19 per share. All securities issued under the Offering were subject to a four-month hold period expiring March 15, 2013.

   $538,906 of the gross proceeds of the Offering, forming part of a $1,994,700 subscription from an institutional group, was held in escrow pending approval of the group as an insider by the TSX Venture Exchange. This approval was granted in January 2013 with funds cleared subsequent to year end. The Company paid finder's fees of $153,182 in connection with the Offering. The Company's cash balance as at April 23, 2013 was $2,604,782.

Key Events Subsequent to the Year Ended December 31, 2012

a) On January 30, 2013 the Bayangol District Court (a first level provincial court in Ulaanbaatar, Mongolia) reviewed the criminal case related to D.Batkhuyag, L.Davaatsogt, S.Jargalsaikhan and Sh.Bat-Ireedui, previously senior government officials for the Geology, Mining and Cadastral Department of the Mineral Resources Authority of Mongolia ("MRAM"). These individuals were indicted on the basis of Articles 263.2 and 268.2 of the Criminal Code, and, considering such persons guilty of the crime, such court issued the accusatory judgment #70 to impose criminal liability.

   As part of the Accusatory Judgment, 106 mineral licenses were listed which included Tourmaline Hills (15075X) and North Fox (15076X), which Kincora acquired as part of the Golden Grouse transaction in April 2012. There is no accusation that these licenses were involved in the criminal liability or are not currently in good standing. The aforementioned case has been referred to the Capital city court and there is no definitive timeline available for final resolution. Kincora has not received any correspondence from MRAM in relation to the ongoing court cases but on March 13, received approved of our 2012-work programme/annual report for our three licenses. On March 28, MRAM approved and signed off our planned 2013 exploration programme. The approval of these documents confirms the Golden Grouse licenses (15075X & 15076X), and Bronze Fox (15000X), remain in good order.

b) Resumption of exploration activities. The recent private placement provides Kincora a number of options and flexibility to resume optimal exploration activities in 2013. Currently the Company is focusing on further reducing overhead and administrative costs and has approved a staged exploration programme with field season activities expected to recommence in late April/early May.

Key Events Subsequent to the Year Ended December 31, 2012 - *continued*

Activities will initially focus on geological mapping and infra-red spectrum analysis across various sections of our three licenses. The core focus of these activities is to refine exploration data and specify target generation of the conceptual, pre-discovery copper porphyry target at the West Kasulu prospect in light of the positive results at depth (eg hole F62) and other shallower zones of bulk and higher grade porphyry mineralisation (eg hole F82, 8m at almost 1% CuEq, and hole F72, highest grade of 4.06% Cu and 0.19g/t Au) encountered late 2012. These initial activities will included a detailed mapping of veins, hydrothermal alteration and mineralised dykes and are designed to meet our minimum expenditure requirements, advance the projects from a technical perspective via a systematic exploration programme. Subject to Board approval these activities will potentially enable Kincora to undertake a deep IP programme and further drilling at identified high priority targets in the second half of the year that if successful could to lead to a significant exploration target range.

Exploration and Evaluation Assets

Bronze Fox Project (Buyant and Manlai Licences)

The Bronze Fox project is located in the copper-gold belt in southeast Mongolia that also hosts the world-class Oyu Tolgoi Cu/Au/Mo deposit and Tsagan Suvarga porphyry Cu/Mo deposit. It is registered with the Mongolian government authority under the license numbers #15000X, 15075X, and 15076X with a total area of 62202.25 hectares. It is 45 km from Tsagan Suvarga Mine, which is currently under construction (recently subject to a US$350 million project financing lead by the European Bank of Reconstruction and Development ("EBRD")), and the existing rail line is 200 km away.

Project Overview

There are three types of potential mineralization hosted in the project area of the three exploration licences held by the Company (Bronze Fox and two that Kincora acquired through Golden Grouse). They are porphyry style of Cu-Au-Mo, structural controlled hydrothermal Au, and shear zone Au. Current exploration work is mainly concentrated on porphyry Cu-Au-Mo targets and structural controlled hydrothermal Au. Porphyry Cu-Au-Mo targets are mainly in the Bronze Fox license. The mineralization appears as sheeted and stockwork quartz-chalcopyrite-pyrite veins and disseminated chalcopyrite-pyrite with associated gold and sometimes molybdenum. The structural controlled Au mineralization occurs along structure zones in Sophie North, Buchanan Heights (both in Bronze Fox) and Tourmaline Hill (Golden Grouse license 15075X), all associated with breccia and also strong silicification, argillic, sericitic, and chloritization alterations, sometimes with copper mineralization (up to 1.86% Cu). In Tourmaline Hill this type of mineralization is also associated with extensive tourmaline breccia and veins. Shear zone gold potential appears in Happy Geo zone (Bronze Fox), indicated by high-grade gold rock chip samples (up to 91g/t Au), soil gold anomalies (up to 1-2.5g/t Au), and large zones of argillic and sericitic alteration with trace sulphides, where further exploration work is warranted. Current exploration results do indicate significant resource potential in the project area.

Exploration and Evaluation Assets - *continued*

History pre 2012

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

During the Company's ownership of Bronze Fox (15000X) in 2010 and 2011, two drilling programs totalling over 17599m 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.

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

- 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 sq. m.
- Soil geochemistry sampling: for the whole license area at a grid of 200m
- Rock chip sample along Russian trenches: totally 1175 samples sampled

2012 Activities

Golden Grouse Acquisition

In April 2012, the Company acquired a 100% interest in Golden Grouse, 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 the Bronze Fox license (15000X). The license of 15075X covers the historical Ivanhoe's projects of Tourmaline Hill, West Fox, and part of Bronze Fox but with much larger land coverage.

Exploration and Evaluation Assets - *continued*

Ivanhoe had conducted scout drilling (diamond), trenching, ground magnetic survey and IP work over the project area. In fiscal year 2011, Golden Grouse 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.

Exploration Update 2012 - Overview

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

- Drilling result update: Following the successful $4.6 million private placement late last year drilling activities increased from two to three rigs and ran until the week before Christmas 2012. All core work programmes were completed including:-
  - step out drilling around Hole F62 at West Kasulu;
  - infill drilling and initial metallurgical analysis for a potential oxide development project, also intersecting further shallow porphyry mineralisation (eg 8 metres at almost 1% CuEq);
  - drilling a number of untested anomaly targets.

- Between October and December 2012, a further 4,885m of diamond drilling was completed making a total of 15,808.55m being drilled for the year in 40 holes. A further 9319 core samples were sampled in the last quarter, with the total samples of the year being 17,051, with 4,662 sample assay returns received during this period. To the end of January 2013 a total of 16,547 assay returns had been received.

- The core focus of drilling was on a relatively small section of the Bronze Fox license that includes the West Kasulu prospect. Exploration in the northern and western section of West Kasulu covers an approximate 1 km chargeability radius target of which about 70-80% remains untested by drilling. Assay results at depth (eg hole F62) and other shallower zones of bulk and higher grade porphyry mineralisation (eg holes F82, F92 and F72) encountered late 2012 reiterates our belief that Kincora's wholly owned and flagship Bronze Fox project is prospective for both bulk lower grade and deeper higher grade copper mineralisation, and supports a potentially significant scale conceptual, pre-discovery copper porphyry target.

- Deeper sulphide mineralisation at West Kasulu – Three holes were completed in late 2012 aimed at testing and extending the area around the promising drill Hole F62 (announced September 5th, 2012) in the Bronze Fox license. These holes have encountered broad lower grade mineralisation with limited higher-grade zones. This does not support the potential for a substantial deep economic copper resource in the immediate area but mineralisation remains open to the southwest with promising mineralisation encountered on the neighbouring license (in license 15075) and also possibly to the northeast based on geophysical evidence stretching about 4kms in length.

Exploration and Evaluation Assets - *continued*

- Previously untested anomaly in West Kasulu with a strike potential of 2km – Hole F72, 2kms north west of F62 confirmed the geophysics target profile, adding substance to the benefit of utilising further IP analysis. F72 also suggests that the larger West Kasulu system could be linked with the Leca Pass target immediately to the east of West Kasulu, with existing high-grade mineralisation identified in some strong alteration zones indicating further high-grade resource potential.

- Further shallow porphyry mineralisation at West Kasulu – A number of mineralised porphyry dykes were intersected at shallow depths as hole extensions in the late 2012 oxide drilling programme. These results are discussed in greater detail below but these intersections further confirm the copper-gold porphyry potential in the immediate West Kasulu area.

Exploration Update 2012 - details

West Kasulu, deeper porphyry prospects

Step out drilling to the east and west from Hole F62 in the west of the Bronze Fox license, aimed at testing the extent of mineralization in F62, intersected further zones of broad but predominately lower grade mineralization. Hole F62 included 661m at 0.35% Cu, 0.01% Mo and 0.08g/t Au (0.44% CuEq) from 399-1,060m, with 37m at 0.8% Cu (1.07% CuEq) between 573- 610m. Of the 1,360m drilled (the deepest hole at the project) over 1,000m graded at least 0.40% CuEq with the significant width of higher-grade mineralisation supporting the potential for a deep high grade porphyry deposit. Details of step out holes are:-

- **Hole F64**: 600m to the east of F62, was drilled to 1,228m and intersected disseminated chalcopyrite of a lower grade than F62 and returned a strong argillic alteration zone. The main mineralised zones included: 440-467m @ 0.31% Cu; 481-523m @ 0.33% Cu; 595-733m @ 0.29% Cu Eq and at 827-828m 4.39g/t Au.

- **Hole F68**: drilled 300m the south east of F62, intersected low grade copper mineralisation and the hole was stopped at 1,359m. Low grade Cu-Au mineralisation, generally 0.1-0.2% Cu, was encountered in most of the hole with occasional small intervals of >1% Cu. The main mineralisation zones include: 312-484m @ 0.25%; 603-625m @ 0.30%; 754-784m @ 0.25%; and, 984-1007m @ 0.28% of CuEq.

- **Hole F85**: 250m west of F62, ended at 1,067m and although intersecting chalcopyrite did not return any notable higher-grade zones. Lower grade mineralisation started at around 400m to the end of the hole with grades of 0.1 to 0.2% Cu.

Oxide drilling and shallow porphyry mineralisation

As part of the late 2012 oxide drilling program a number of mineralised porphyry dykes were intersected at shallow depths as hole extensions into sulphides below the oxide mineralisation. In Holes F82 and F92 oxide and sulphide mineralisation was encountered in mineralised dykes ranging from several metres to over 10m.They have porphyrytic texture and are generally associated with further porphyry breccia with over 5-10% sulphides (mostly chalcopyrite).

Exploration and Evaluation Assets - *continued*

- **Hole F82:** returned a total of 297.2m at 0.20% CuEq from surface including sulphide mineralisation of 38m at 0.42% CuEq associated with a 8m dyke which graded almost 1% CuEq.

- **Hole F92:** returned a total of 151.5m at 0.26% CuEq from surface including higher oxide mineralisation of 6m at 0.55% CuEq from 15m mineralisation.

The assay results indicate these porphyries are generally about 0.5% Cu and 0.2 to >1g/t Au.

Other holes of note from late 2012 activities include:

- **Hole F52:** includes, 60m from 20m depth of 0.3% CuEq; 101m @ 0.35% CuEq (233-334m), and 59m @ 0.38% CuEq (358-417m). The hole collapsed at a depth of 496.5m in an argillic zone.

- **Hole F55:** the most western hole at West Kasulu returned intervals of higher grade mineralisation at shallow depths: 1m of 3.55g/t Au at 92-93m; 1m of 1.41g/t of Au at 103-104m; and, 26m of 0.46% CuEq with bornite between 116-140m.

- **Hole F56:** the hole was lost at a depth of 66m as it could not a penetrate an argillic zone with low grade Cu mineralisation of 0.22% CuEq intersected from surface to the end of the hole.

- **Hole F57:** includes 63m from 218m of 0.35% CuEq and 87m of 0.26% CuEq (307-394m)

- **Hole F58:** the east extension of West Kasulu. The hole was lost at a depth of 290.9m in a chorite zone. The hole returned 100-300ppm Cu with intervals of 0.15% to 0.27% Cu. The hole did not reach the designed depth of targeting mineralisation zone. The Cu anomaly possibly indicates a Cu mineralisation system geochemistry anomaly halo.

- **Hole F60:** depth 301.4m, the hole was lost in an argillic zone. The hole encountered low-grade mineralisation of 0.17% CuEq from surface to a depth of 301.4m. Within the 301m there are various high-grade one metre intervals including 0.54% Cu and 0.15g/t Au (from 10m); and 1.1g/t Au and 0.29% Cu (from 61m).

- **Hole F72:** the last drill hole of 2012, was drilled to 840m and targeted a combination of low magnetic, high IP chargeability and low resistivity anomaly near Hole F58. Hole F58 has over 200m of low grade Cu, locally with >0.2% Cu and up to 0.88g/t Au and extensive propylitic and argillic alteration. F72 is located approximately 2kms North West of F62 that encountered low grade copper mineralisation from near surface. Assay results in F72 include: 141-296m @ 0.14% CuEq (including 185-239m @ 0.23% CuEq), with localized areas of higher-grade zones (of up to 4.06% Cu). The mineralisation encountered appears to have more pervasive alteration, which is slightly different from West Kasulu where higher-grade zones are generally associated with vein systems.

At the West Kasulu prospect mineralisation remains open to the southwest with promising mineralisation encountered in Hole F55 (in license 15075) and also possibly to the northeast for around 4kms based on geophysics and the recent results of Hole F72.

Exploration and Evaluation Assets - *continued*

- Testing of identified anomalies and targets – Through early stage exploration and regional M&A, Kincora has increased its priority exploration targets from four in 2011, to ten (refer to slide 15 in the most recent Kincora presentation:

  http://www.kincoracopper.com/sites/default/files/corporate_presentations/KCC%20Presentation%20-%20Mar2013.pdf).

  During 2012, exploration activities were aimed at systematically prioritizing, testing and realizing the potential of these targets. In late 2012 two previously untested geophysics anomalies at Bronze Fox, which were identified from the first phase 3D IP earlier in the year, were drilled. Whilst not encountering economic mineralisation, both holes were technical successes, returning significant alteration warranting further exploration activities.

  Other areas/anomalies in Bronze Fox

  - **Hole F70:** A deep hole, was drilled to explore the South East corner of the Bronze Fox license where there is a substantial geophysical anomaly. F70 commenced in younger Cretaceous rocks until 185m and then in andesites, tuffs with breccias until the end of the hole at 767m. The target was 11km east south east from West Kasulu and while only intersecting Cu and Au anomalies and extensive propylitic alteration and breccia zones, indicates there is still the potential for porphyry systems.

  - **Sophie North target:** One hole was drilled into this target in 2012 targeting a gold anomaly identified from trenching and soil sampling. Hole F66 intersected low grade Au and Cu.

  - **Dunlop Fox target:** One hole was drilled into this target in 2012 testing the extension of small high grade gold and copper mineralisation at depth. Unfortunately Hole 54 was lost before reaching the target depth.

- **Potential oxide development project** – An infill programme of 10 shallow holes of 1,473 metres was completed in the West Kasulu oxide target zone in the last quarter of 2012. A number of these holes were continued into the underlying sulphides. The assay results did not increased the potential oxide resource.. In parallel with the exploration work metallurgical analysis has been on-going. The findings from column leach tests on two bulk samples from material approaching the mixed sulphide oxide boundary support suitable copper recoveries but with acid consumption identified as a key risk for a potential development project.

- **Geological mapping Golden Grouse, North Area -** Geological mapping over the north licence (15076X) was completed during October and November. 174kms were mapped at a 1:50,000 scale. A small zone of Cu and Au mineralisation associated with magnetite-quartz-tourmaline veins and breccia has been identified. The purpose of this work was to meet the minimum tenement expenditure requirement and also to gather basic geological information, which was previously lacking for the license.

  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.

Results of Operations

Three-Month Period Ended December 31, 2012

The Company's loss for the three-month period ended December 31, 2012 (the "Current Period") was $689,000 or $0.00 per share as compared with a loss of $489,000 or $0.01 per share for the three-month period ended December 31, 2011 (the "Comparative Period").

General and administrative expenses were $190,000 higher in the Current Period at $680,000 compared with $490,000 in the Comparative Period. This difference was mainly due to interest expense recorded on the Company's convertible debenture ($103,000 versus $Nil) and also the accretion expense related to the debt ($103,000 versus $Nil) from the Origo debenture issued during the year. This increase was offset mainly due to a reduction in share-based compensation costs ($83,000 versus $337,000) due to the lower granting of incentive stock options to officers, directors and consultants, lower legal and audit fees ($13,000 versus $55,000) due to the prior period acquisition of the Mongolian subsidiaries, lower travel costs ($6,000 versus $51,000) due to reduced travel to Mongolia by the former President and CEO and lower investor relations fees ($14,000 versus $53,000) due to termination of investor relations consultants services being provided.

Year ended December 31, 2012

The Company's loss for the year ended December 31, 2012 (the "Current Period") was $2,402,000 or $0.02 per share as compared with a loss of $2,779,000 or $0.04 per share for the year ended December 31, 2011 (the "Comparative Period").

General and administrative expenses were $443,000 lower in the Current Period at $2,405,000 compared with $2,848,000 in the Comparative Period. This difference was mainly due to decreases in share-based compensation costs ($528,000 versus $1,746,000) due to the lower granting of incentive stock options to officers, directors and consultants, lower legal and audit fees ($237,000 versus $383,000) due to the prior period acquisition of the Mongolian subsidiaries, lower transfer agent and filing fees ($57,000 versus $103,000) due to the decreased financing activities in the current period. These reductions were offset mainly due to increased salary costs ($297,000 versus $161,000) due to the hiring of a new President and Chief Executive Officer for the Company, his subsequent resignation and compensation payout ($178,000 versus $Nil), increased corporate administrative services ($504,000 versus $464,000) due to increased expenditures due to the acquisition of the Mongolian subsidiaries and incurring administrative costs with the newly acquired companies, higher directors and audit committee fees ($134,000 versus $101,000) due to additions to the board of directors and audit committee members of the Company, and higher investor relations fees ($104,000 versus $72,000) due to engagement of investor relations consultants and increased promotion of the Company at trade shows and conferences.

The Company also recognized non-cash convertible accretion expense in the amount of $103,000 related to the Origo convertible debt financing.

Selected Annual Information

The following table summarizes selected financial data for the Company for each of the three most recently completed financial years. The information set forth below should be read in conjunction with the consolidated audited financial statements. Financial statements for the years ended December 31, 2012 and 2011 were prepared in accordance with IFRS. Financial statements for the year-ended December 31, 2010 were prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

	Years Ended December 31, (audited) ('000)		
	2012 **$**	**2011** **$**	**2010** **$**
Total Revenues	Nil	Nil	Nil
General and administrative expenses	2,405	2,848	1,305
Exploration costs	-	17	83
Interest income	Nil	Nil	Nil
Loss for the year	2,402	2,779	1,878
Basic and diluted loss per share	0.02	0.04	0.29
Total Assets	52,535	43,000	204
Total long term liabilities	1,882	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

Summary of Quarterly Results – *000's*

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

In thousands $	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Financial results								
Net loss for period	689	39	882	792	489	1,951	238	101
Basic and diluted loss per share	0.00	0.00	0.00	0.01	0.01	0.02	0.02	0.01
Exploration expenditures	1,894	1,756	1,656	315	1,262	1,722	-	-
Statement of Financial Position								
Cash and cash equivalents	2,681	1,276	1,607	3,010	3,872	6,247	915	213
Exploration and evaluation assets	49,615	47,631	45,833	39,181	38,866	37,408	-	-
Total assets	52,535	49,148	47,656	42,379	43,000	43,826	1,063	266
Shareholders' equity (deficiency)	50,337	47,066	45,519	42,141	42,626	42,792	688	(906)

Liquidity and Capital Resources

As of December 31, 2012, the Company had $2,681,000 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 December 31, 2012, the Company had working capital of $3,079,000. During the year ended December 31, 2012, the Company used cash of $1,661,000 in operating activities and had investing activities of $5,894,000 which was used for exploration expenditures on the Company's Bronze Fox and Golden Grouse properties and acquisition of capital assets. As part of financing activities, the Company issued a convertible debenture for total proceeds of $2,500,000 and received $4,078,000 in gross proceeds from a private placement issuance.

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 year ended December 31, 2012 this amount was $180,000 (December 31, 2011 - $150,000).

b) During the year ended December 31, 2012, the Company paid office rental fees of $6,633 (December 31, 2011 - $Nil) to Nabuco Holdings Ltd ("Nabuco"), a company with a director in common.

c) During the year ended December 31, 2012, the Company paid $80,280 (December 31, 2011 - $36,600) to Origo Partners PLC, a company with directors in common, for accounting and office support services in Mongolia.

d) During the year ended December 31, 2012, the Company paid or accrued $109,421 (December 31, 2011 - $111,180 for legal services and $16,612 (December 31, 2011 - $88,775) in share issuance costs to McMillan LLP, a company with a director in common..

e) At December 31, 2012, the Company owed $14,000 (December 31, 2011 - $10,000) to companies with officers and directors in common for reimbursement of general and administrative and legal expenses.

f) During the year ended December 31, 2012, the Company paid $352,692 in salary, severance and vacation pay to a former officer of the Company (December 31, 2011 - $62,500).

g) During the year ended December 31, 2012, the Company paid management fees of $66,667 to Rickus Partners Ltd., a company with an officer in common (December 31, 2011 - $Nil).

h) During the year ended December 31, 2012, the Company paid management fees of $53,333 to Spring Resources Pty Ltd., a company with an officer in common (December 31, 2011 - $Nil).

i) During the year ended December 31, 2012, the Company paid or accrued management fees of $60,447 (December 31, 2011 - $128,388) to Massif Limited ("Massif") a company with a director in common.

Compensation of key management personnel

		December 31, 2012		December 31, 2011
Management fees, directors and audit committee fees	**$**	**224,000**	$	132,883
Share-based payments*		**505,944**		1,550,747
	$	**729,944**	$	1,683,580

** 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 April 23, 2013.

		Price	Expiry date	Number of common shares
Common shares, issued and outstanding				202,943,975
Securities convertible into common shares				
	Convertible Debenture – Common shares	$0.25	July 18, 2015	10,000,000
	Convertible Debenture – Warrants	$0.45	July 18, 2015	10,000,000
	Warrants	$0.35	July 15, 2014	896,659
		$0.19	November 14, 2015	44,112,143
		$0.19	November 26, 2015	500,000
	Stock options	$0.40	July 28, 2016	3,600,000
		$0.40	October 3, 2016	500,000
		$0.40	October 17, 2016	2,000,000
		$0.45	February 9, 2017	50,000
		$0.25	September 12, 2017	4,750,000
				279,352,777

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.

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

IFRS 7, Financial Instruments: Disclosures – In December 2011, the IASB amended IFRS 7 (Financial Instruments: Disclosures) requiring additional disclosures on offsetting of financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2013. This standard also requires additional disclosures about the initial application of IFRS 9. This amendment is effective for annual periods beginning on or after January 1, 2015 (or otherwise when IFRS 9 is first applied). IAS 32, Financial Instruments: Presentation was amended in December 2011 relating to application guidance on the offsetting of financial assets and financial liabilities. This standard is effective for annual periods beginning on or after January 1, 2014. There will be no significant impact to the Company upon implementation of the issued standard.

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.

New Standards Not Yet Adopted

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, and 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 and comprehensive loss.

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

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

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

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

Financial and Other Instruments - *continued*

Financial liabilities

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

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

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

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

Interest rate risk

The Company has non-material exposure at December 31, 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.

Financial and Other Instruments - *continued*

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 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 December 31, 2012, the Company had a cash balance of $2,681,000 (December 31, 2011 - $3,872,000) to settle current liabilities of $316,000 (December 31, 2011 - $374,000) Further information relating to liquidity risk is disclosed in Note 1 to the audited 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 $26,810 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.

Risks and Uncertainties – *continued*

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 annual consolidated statement of loss and note disclosures contained in its annual consolidated financial statements for the year ended December 31, 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 IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Nature of the Securities

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

Proposed Transactions

At the present time, there are no proposed transactions that are required to be disclosed that are not disclosed elsewhere.

Approval

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Additional Information

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

Forward Looking Information

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