Kincora Copper Limited

(An Exploration Stage Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

For the three-month period ended March 31, 2018

NOTICE OF NO REVIEW BY AUDITOR

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

Kincora Copper Limited

(An Exploration Stage Company)

Interim Condensed Consolidated Statements of Financial Position

As at,

(Figures in tables are expressed in thousands of Canadian dollars)
(Unaudited – Prepared by Management)

ASSETS		March 31, 2018		December 31, 2017
Current				
Cash and cash equivalents	$	**2,845**	$	3,277
Receivables, prepaids and deposits (Note 9)		**126**		300
		2,971		3,577
Equipment (Note 11)		**291**		344
Exploration and evaluation assets (Note 6)		**50,521**		50,322
	$	**53,783**	$	54,243
LIABILITIES				
Current				
Accounts payable (Note 9)	$	**377**	$	488
Accrued liabilities		**25**		25
		402		513
SHAREHOLDERS' EQUITY				
Share capital (Note 7)		**166,311**		166,269
Share-based payment reserve (Note 7)		**9,842**		9,790
Deficit		**(122,772)**		(122,329)
		53,381		53,730
	$	**53,783**	$	54,243

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 13)
Subsequent Events (Note 14)

Approved and authorized by the Board of Directors on May 30, 2018

"Anthony Jackson"	*"Sam Spring"*
Anthony Jackson	Sam Spring
Director	Director

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

Kincora Copper Limited

Statement 2

(An Exploration Stage Company)

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

(Figures in tables are expressed in thousands of Canadian dollars, except per share amounts)
(Unaudited – Prepared by Management)

		2018		2017
Expenses				
Bank charges and interest	**$**	**1**	$	1
Consultants		**22**		106
Consultants – Geologists		**25**		37
Consultants – Technical		**41**		-
Corporate administrative and office services (Note 9)		**51**		27
Directors and audit committee fees (Note 9)		**81**		44
Foreign exchange loss		**36**		2
Insurance		**4**		-
Investor relations		**18**		-
Legal and accounting (Note 9)		**32**		37
Office costs		**14**		8
Salaries and management fees (Note 9)		**70**		80
Share-based compensation (Note 7)		**52**		936
Transfer agent and filing fees		**18**		13
Travel		**20**		5
		485		1,296
Other items				
Gain on sale of assets		**(18)**		-
(Gain) loss on settlement of debt (Notes 7 and 14)		**(24)**		49
Loss and comprehensive loss for the period	**$**	**443**	$	1,345

Loss per share – basic and diluted	**$**	**0.01**	$	0.03
Weighted average number of common shares outstanding (*000's*)		**68,947**		49,611

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

Kincora Copper Limited

Statement 3

(An Exploration Stage Company)

Interim Condensed Consolidated Statements of Cash Flows

For the three-month period ended March 31,

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

(Unaudited – Prepared by Management)

Cash provided by (used in):		**2018**		2017
Operating Activities				
Loss for the period:	**$**	**(443)**	$	(1,345)
Items not affected by cash:				
Amortization		**82**		79
Unrealized FX gain		**-**		(62)
Share-based compensation		**52**		936
Changes in non-cash working capital items:				
Receivables, prepaids and deposits		**174**		(1)
Short term loan		**-**		(64)
Accounts payable and accrued liabilities		**(69)**		251
Net cash used in operating activities		**(204)**		(206)
Financing Activity				
Proceeds from private placement		**-**		532
Net cash provided by financing activity		**-**		532
Investing Activities				
Acquisition of capital assets		**(29)**		(125)
Exploration and evaluation asset expenditures		**(199)**		(11)
Net cash used in investing activities		**(228)**		(136)
Change in cash and cash equivalents		**(432)**		190
Cash and cash equivalents – beginning of period		**3,277**		228
Cash and cash equivalents – end of period	**$**	**2,845**	$	418

Supplemental Cash Flow Information (Note 10)

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

Kincora Copper Limited

(An Exploration Stage Company)

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

As at March 31, 2018

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

(Unaudited – Prepared by Management)

	Share capital (Number of Shares)	Share capital (Amount) $	Obligation to issue shares $	Share-based payment reserve $	Deficit $	Foreign currency translation gain $	Total $
Balance, December 31, 2016	48,621,950	159,775	13	7,726	(118,591)	118	49,041
Share-based compensation	-	-	-	936	-	-	936
Shares issued for settlement of debt	440,943	219	-	-	-	-	219
Shares issued for private placement	1,543,720	532	(13)	-	-	-	519
FX translation adjustment	-	-	-	-	-	(62)	(62)
Loss for the period	-	-	-	-	(1,345)	-	(1,345)
Balance, March 31, 2017	50,606,613	160,526	-	8,662	(119,936)	56	49,308
Balance, December 31, 2017	68,854,222	166,269	-	9,790	(122,329)	-	53,730
Share-based compensation	-	-	-	52	-	-	52
Shares issued for settlement of debt	192,392	42	-	-	-	-	42
Loss for the period	-	-	-	-	(443)	-	(443)
Balance, March 31, 2018	**69,046,614**	**166,311**	**-**	**9,842**	**(122,772)**	**-**	**53,381**

(See Note 7)

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

1. Nature of Operations and Going Concern

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

The head office of the Company is located at Suite #800 – 1199 West Hastings Street, Vancouver, British Columbia V6E3T5 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 March 31, 2018, the Company has an accumulated deficit of $122,772,000, a net loss for the three-month period ended March 31, 2018 of $443,000 and has working capital of $2,569,000, noting that $1,400,000 was raised via the second tranche non-brokered private placement of units that closed on October 11, 2017. The Second Tranche Private Placement follows closing of a First Tranche on August 22, 2017, with total gross funds raised being $5,924,000. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets, liabilities, reported income and expenses and the statement of financial position classifications used. Such adjustments could be material.

2. Basis of Preparation

Statement of Compliance

These unaudited interim condensed consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting and IFRS 1 – First-time Adoption of IFRS.

These interim condensed consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). They have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these financial statements. The condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017 prepared in accordance with IFRS applicable to annual financial statements.

2. Basis of Preparation – *continued*

Critical Accounting Estimates

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

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

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

3. Significant Accounting Policies

a) Basis of consolidation

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

b) Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes Option Pricing Model, and is recognized over the vesting period. A corresponding increase in share-based payment reserve is recorded when stock options are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion of share-based compensation previously recorded in share-based payment reserve. Share-based compensation arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

3. Significant Accounting Policies – *continued*

c) Cash and cash equivalents

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

d) Exploration and evaluation assets

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

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

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

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

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

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

e) Loss per share

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

3. Significant Accounting Policies – *continued*

f) Equipment

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

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

g) Income taxes

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

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

h) Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries for the three-month period ended March 31, 2018 and year ended December 31, 2017 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*

i) Provision for environmental rehabilitation

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

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes would be recorded directly to exploration and evaluation assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, would be charged to profit or loss for the period. At March 31, 2018 and December 31, 2017, the Company had no provisions for environmental rehabilitation.

j) Impairment of assets

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

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

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

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

3. Significant Accounting Policies – *continued*

k) Change in accounting policies – Financial Instruments

The Company has adopted all of the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The main area of change is the accounting for equity securities previously classified as fair value through profit and loss.

The following is the Company's new accounting policy for financial instruments under IFRS 9.

<u>Classification</u>

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

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

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

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

3. Significant Accounting Policies – *continued*

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

Measurement

Financial assets at FVTOCI
Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

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

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

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

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

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

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

3. Significant Accounting Policies – *continued*

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

Impairment of financial assets at amortized cost

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

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

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

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

4. Capital Management

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

5. Management of Financial Risk

Interest rate risk

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

Currency risk

Currency risk is the risk that the fair values of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's operations are focused on Mongolia, where many exploration and administrative expenses are incurred in the Mongolian Tugrik and the US Dollar. The Company's ability to advance funds to Mongolia is subject to changes in the valuation of the Tugrik and the US dollar as well as rules and regulations of the Mongolian government. Fluctuations in the value of the Tugrik and the US dollar may have an adverse effect on the operations and operating costs of the Company. The Company does hold balances in foreign currencies, Mongolian Tugrik and United States dollar, to give rise to exposure to foreign exchange risk. Management believes this risk to be minimal.

5. Management of Financial Risk – *continued*

Credit risk

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

Liquidity risk

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

As at March 31, 2018, the Company had a cash balance of $2,845,000 (December 31, 2017 - $3,277,000) to settle current liabilities of $402,000 (December 31, 2017 - $513,000), noting that $1,400,000 was raised via the second tranche non-brokered private placement of units that closed on October 11, 2017. The Second Tranche Private Placement follows closing of a First Tranche on August 22, 2017, with total gross funds raised being $5,924,000, supporting a well-funded and aggressive exploration and expansion strategy.

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

Commodity price risk

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

6. Exploration and Evaluation Assets

Exploration and evaluation assets – Mongolia – Bronze Fox

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

As at March 31, 2018, the exploration and evaluation assets expenditures incurred on the property to date include the following *(000's):*

		Balance – December 31, 2017		Exploration additions		**Balance – March 31, 2018**
Acquisition (Note 12)	$	2,524	$	-	**$**	**2,524**
Assay		1,310		15		**1,325**
Camp		513		-		**513**
Amortization		319		16		**335**
Drilling		7,143		-		**7,143**
Environmental		2		-		**2**
Fuel		63		-		**63**
Geological/geophysics		696		22		**718**
License/fees/taxes		18		-		**18**
Management and planning		10		-		**10**
Meals and entertainment		1		-		**1**
Rental/utilities		224		-		**224**
Salaries		716		20		**736**
Sampling		61		-		**61**
Supplies/safety gear		109		-		**109**
Transportation/travel		96		-		**96**
		13,805		-		**13,878**
RTO Acquisition of Bronze Fox		34,100		-		**34,100**
Total	$	47,905	$	73	**$**	**47,978**

		Balance – December 31, 2016		Exploration additions		**Balance – March 31, 2017**
Acquisition (Note 12)	$	36,624	$	-	**$**	**36,624**
Amortization (Note 11)		273		16		**289**
Assay		1,302		-		**1,302**
Camp		513		-		**513**
Drilling		7,143		-		**7,143**
Environmental		2		-		**2**
Fuel		63		-		**63**
Geological/geophysics		676		-		**676**
License/fees/taxes		18		-		**18**
Management and planning		10		-		**10**
Meals and entertainment		1		-		**1**
Rental/utilities		223		-		**223**
Salaries		676		11		**687**
Supplies/safety gear		105		-		**105**
Sampling		61		-		**61**
Transportation/travel		96		-		**96**
Total	$	47,786	$	27	**$**	**47,813**

6. Exploration and Evaluation Assets – *continued*

Exploration and evaluation assets – Mongolia – Golden Grouse

On April 18, 2012, the Company acquired a 100% interest in Golden Grouse from the optionor, Temujin Mining Corp. ("Temujin"), which held two mineral exploration licenses adjoining the Company's Bronze Fox project in Mongolia.

On October 28, 2016, the Company obtained seven mineral exploration licenses and two new license applications in mergers with IBEX Land Mongolia LLC ("IBEX Land") and IBEX Mongolia LLC ("IBEX") (Note 12). The fair value in excess of the net assets of IBEX Land and IBEX was allocated to Bronze Fox ($742,000) and Golden Grouse ($1,094,000).

As at March 31, 2018, the exploration and evaluation assets expenditures incurred on the property to date include the following *(000's):*

		Balance – December 31, 2017		Exploration additions		**Balance – March 31, 2018**
Acquisition (Note 12)	$	1,094	$	-	**$**	**1,094**
Amortization (Note 11)		192		4		**196**
Assay		25		-		**25**
Drilling		567		-		**567**
Geological/geophysics		152		-		**152**
Labour		244		44		**288**
License/fees/taxes		5		68		**73**
Mapping (recovery)		(21)		-		**(21)**
Meals and entertainment		33		-		**33**
Rental		32		4		**36**
Repairs and maintenance		19		-		**19**
Supplies/safety gear		44		1		**45**
Transportation		86		5		**91**
Impairment		(61)		-		**(61)**
Utilities		6		-		**6**
Total	$	2,417	$	126	**$**	**2,543**

		Balance – December 31, 2016		Exploration additions		**Balance – March 31, 2017**
Acquisition (Note 12)	$	1,094	$	-	**$**	**1,094**
Amortization (Note 11)		18		-		**18**
Assay		10		-		**10**
Geological/geophysics		95		-		**95**
Labour		74		-		**74**
Mapping (recovery)		(21)		-		**(21)**
Meals and entertainment		6		-		**6**
Rental		11		-		**11**
Supplies/safety gear		8		-		**8**
Transportation		13		-		**13**
Impairment		(61)		-		**(61)**
Total	$	1,247	$	-	**$**	**1,247**

7. Share Capital and Contributed Surplus

Authorized share capital: Unlimited Common shares without par value.

Share issuances:

a) On July 27, 2016, the Company issued 560,137 shares to Origo Parners PLC ("Origo") as consideration for the interest relating to the $2,500,000 convertible debenture. $190,000 has been recorded to share capital based upon the fair value of the shares at the date of issuance and $39,000 has been recorded as a gain on settlement (Note 14).

b) On July 28, 2016, the Company closed a non-brokered private placement for gross proceeds of $1,053,060 through the issuance of 3,510,201 shares at a price of $0.30 per share.

c) On July 28, 2016, the Company issued 6,666,667 shares to Origo to settle $2,000,000 of the $2,500,000 convertible debenture (Note 14).

d) On September 12, 2016, the Company issued 577,500 common shares to settle payables owing to creditors, directors and officers of the Company (Note 9). $196,350 has been recorded to share capital based upon the fair value of the shares at the date of issuance and $23,000 has been recorded as a loss on settlement.

e) On October 28, 2016, the Company issued 5,895,000 common shares with a fair value of $1,473,750 and 2,947,500 warrants with a fair value of $506,073 pursuant to the asset acquisition transaction (Note 12).

f) On February 10, 2017, the Company completed a private placement of 1,543,720 shares at $0.345 per share for a gross proceeds of $532,584. The Company paid finder's fees of $2,700 in connection with this private placement. During the year ended December 31, 2016, the Company received $454,000 subscription funds related to this private placement. The subscription held in trust was recorded as an unsecured, non-interest bearing short term loan until the closing of the private placement.

g) On March 3, 2017, the Company issued 186,831 shares with a fair value of $93,416 to settle the $63,723 (US$48,576) loan owing to HPV, resulting in a loss on debt settlement of $29,693 (Note 12).

h) On March 3, 2017, the Company issued 254,112 shares with a fair value of $162,632 to certain directors, officers and service providers for services rendered during the period October 1, 2016 to December 31, 2016 in the amount of $108,000, resulting in a loss on debt settlement of $54,632.

i) On August 4, 2017, the Company closed a non-brokered private placement for gross proceeds of $4,524,687 through the issuance of 13,711,174 units at a price of $0.33 per unit. Each unit comprises one common share and one-half of a share purchase warrant, with each whole warrant entitling the holder to acquire a further share at $0.445 for a period of two years. A fair value of $137,112 was allocated to the warrants using the residual method. In connection to this non-brokered private placement, the Company issued 365,493 finder's warrants with a fair value of $36,568, exercisable at $0.445 for a period of one year. The Company incurred cash share issuance costs of $137,110 related to this private placement.

j) On August 21, 2017, the Company issued 127,272 shares with a fair value of $40,727 to settle the $42,000 outstanding debt to directors, resulting in a gain on debt settlement of $1,273.

7. Share Capital and Contributed Surplus – *continued*

Share issuances: – continued

k) On August 21, 2017, the Company issued 166,739 shares with a fair value of $53,356 to certain directors, officers and service providers for services rendered during the period January 1, 2017 to June 30, 2017 in the amount of $67,442, resulting in a gain on debt settlement of $14,086.

l) On October 11, 2017, the Company closed a second tranche of a non-brokered private placement for gross proceeds of $1,400,000 through issuance of 4,242,424 units at $0.33 per unit. Each unit comprises one common share and one-half of a share purchase warrant, with each whole warrant entitling the holder to acquire a further share at $0.445 for a period of two years.

m) On February 16, 2018, the Company issued 152,172 shares to certain directors, officers and service providers for services rendered during the period from July 1, 2017 to September 30, 2017 in the amount of $52,499. Accrued amounts for these services are included in accounts payable at December 31, 2017.

n) On February 16, 2018, the Company issued 40,220 shares to settle outstanding payables of $13,876, resulting in a gain on debt settlement of $$24,050.

Stock options:

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

On September 13, 2016, the Company granted 2,742,954 stock options to directors and consultants of the Company with a term of five years: 1,371,477 stock options have at an exercise price of $0.375 per share and vested on September 13, 2017; 1,371,477 stock options have an exercise price of $0.525 per share and will vest on September 13, 2018. The fair value of options granted was determined to be $415,735 for the options with an exercise price of $0.375 and $414,053 for the options with an exercise price of $0.525.

On January 23, 2017, the Company granted 2,056,300 stock options to the officers and directors of the Company with a term of four years and vest over a period of four months: 1,028,150 stock options are exercisable at $0.43 per common share and 1,028,150 stock options are exercisable at $0.54 per common share. The fair value of options granted was determined to be $477,438 for the options with an exercise price of $0.43 and $476,739 for the options with an exercise price of $0.54.

On November 16, 2017, the Company granted 1,850,172 stock options to the officers, consultants, and directors of the Company with a term of two years: exercisable at $0.45 per common share. The fair value of options granted was determined to be $437,579.

(Expressed in Canadian Dollars)

7. Share Capital and Contributed Surplus – *continued*

Stock options: – continued

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

	November 16, 2017	January 23, 2017	September 13, 2016
Expected dividend yield	0%	0%	0%
Expected stock price volatility	149%	249%	207%
Risk free rate	1.48%	0.99%	0.70%
Forfeiture rate	0%	0%	0%
Expected life of options	2 years	4 years	5 years

During the three-month ended March 31, 2018, the Company recorded share-based compensation of $51,000 (2017 - $936,000) for the options vested.

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

	Number of options	Weighted average exercise price
Balance outstanding – December 31, 2016	**2,742,954**	**$0.45**
Granted	1,028,150	0.43
Granted	1,028,150	0.54
Granted	1,850,172	0.45
Balance outstanding – December 31, 2017 and March 31, 2018	**6,649,426**	**$0.46**

The weighted average life of the stock options are 2.75 years.

As at March 31, 2018, the following stock options are outstanding and exercisable:

Number	Price per share	Expiry date	Options exercisable
1,371,477	$0.375	September 13, 2021	1,371,477
1,371,477	$0.525	September 13, 2021	-
1,028,150	$0.430	January 23, 2021	1,028,150
1,028,150	$0.540	January 23, 2021	1,028,150
1,850,172	$0.445	November 16, 2019	1,850,172
6,649,426			**5,277,949**

Deferred share unit ("DSU") plan:

The Company had a deferred share unit plan whereby non-executive directors could receive compensation in the form of a deferred cash payment or issuance of new shares under the decision of the Board. Under the plan, directors earned compensation quarterly ($3,000 per quarter per director) at which time the Company had the option to either distribute/"pay out" a DSU via cash or the issuance of shares. During the three-month period ended March 31, 2018, the Company no longer utilized its deferred share unit plan and instead moved toward compensating directors and management by issuing shares for services as approved by shareholders and the TSXV. During the three-month period ended March 31, 2018, the Company incurred $Nil (2017 - $Nil) of directors' fees as DSU. As of March 31, 2018, the Company accrued $Nil (December 31, 2017 - $Nil) and paid out $Nil (December 31, 2017 - $Nil).

(Expressed in Canadian Dollars)

7. Share Capital and Contributed Surplus – *continued*

Warrants:

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

	Number of warrants	Weighted average exercise price
Balance – December 31, 2015	**9,924,000**	**$1.050**
Expired	(9,924,000)	$1.050
Granted	2,947,500	$0.540
Balance – December 31, 2016	**2,947,500**	**$0.540**
Granted	7,221,080	$0.445
Granted	2,121,212	$0.445
Balance –December 31, 2017 and March 31, 2018	**12,289,792**	**$0.468**

The weighted average life of the warrants are 1.21 years.

On October 28, 2016, the Company issued 2,947,500 warrants with a fair value of $506,073 pursuant to an asset acquisition transaction (Note 12). Each warrant entitles the holder to purchase a common share of the Company for a period of two years at $0.54 per warrant.

The estimated fair value of the warrants granted during the year was determined using the Black-Scholes Option Pricing Model with the following assumptions:

	August 4, 2017	October 28, 2016
Expected dividend yield	0%	0%
Expected stock price volatility	107%	173%
Risk free rate	1.24%	0.57%
Forfeiture rate	0%	0%
Expected life of warrants	1 year	2 years

As of March 31, 2018, the following warrants are outstanding and exercisable:

Number	Price per share	Expiry date	Warrant exercisable
2,947,500	$0.540	November 28, 2018	2,947,500
6,855,587	$0.445	August 4, 2019	6,855,587
365,493	$0.445	August 4, 2018	365,493
2,121,212	$0.445	October 18, 2019	2,121,212
12,289,792	**$0.468**		**12,289,792**

7. Share Capital and Contributed Surplus – *continued*

Escrow shares:

Pursuant to the terms of the acquisition of the Bronze Fox exploration and evaluation assets, 4,989,643 common shares were issued by the Company and placed in escrow, subject to an escrow agreement. As of March 31, 2018, all shares in escrow have been issued.

Reserves:

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

Foreign currency translation reserve records unrealized exchange differences arising on translation of foreign operations that have a functional currency other than the Company's reporting currency.

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) During the three-month ended March 31, 2018, the Company incurred $21,450 (2017 - $18,450) to BridgeMark Financial Corp, a company with an officer in common for management and accounting services.

b) During the three-month ended March 31, 2018, the Company incurred management fees of $71,250 (2017 - $80,000) to Spring Resources Pty Ltd., a company with an officer in common.

c) During the three-month ended March 31, 2018, the Company incurred director's fees of $82,273 (2017 - $43,833) to three former directors.

d) During the three months ended March 31, 2018, the Company incurred consulting fees of $17,000 (2017 – 17,000) to a director of the Company.

e) At March 31, 2018, the Company owed $43,141 (December 31, 2017 - $33,264) in accrued directors' fees in accounts payable.

f) At March 31, 2018, the Company prepaid $97,049 for management fees, chairman, directors and audit committee fees.

9. Related Party Transactions – *continued*

Compensation of key management personnel

		March 31, 2018		March 31, 2017
Management fees, chairman, directors and audit committee fees	**$**	**192**	$	142
Share-based payments*		**51**		936
	$	**243**	$	1,078

** 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

		March 31, 2018		March 31, 2017
Cash paid for interest	**$**	**Nil**	**$**	Nil
Cash paid for income taxes	**$**	**Nil**	**$**	Nil

Supplemental Disclosure of Non-Cash Financing and Investing Activities include *('000):*		**March 31, 2018**		March 31, 2017
Amortization capitalized to exploration and evaluation assets	**$**	**-**	$	16
Shares issued in settlement of debt	**$**	**42**	$	219

11. Equipment

Net carrying costs at March 31, 2018 and December 31, 2017 are as follows ('000*):*

		Computers		Exploration Equipment		Total
Cost						
Balance as at December 31, 2016	$	14	$	529	$	543
Additions		4		342		346
Disposals		(2)		(144)		(146)
Balance as at December 31, 2017		16		727		743
Additions		7		23		30
Balance as at March 31, 2018	$	23	$	750	$	773
Accumulated amortization						
Balance as at December 31, 2016	$	(13)	$	(296)	$	(309)
Amortization		(3)		(233)		(236)
Disposals		2		144		146
Balance as at December 31, 2017		(14)		(385)		(399)
Amortization		(1)		(82)		(83)
Balance as at March 31, 2018	$	(15)	$	(467)	$	(482)
Net book value		1		233		234
At December 31, 2017	$	2	$	342	$	344
At March 31, 2018	**$**	**8**	**$**	**283**	**$**	**291**

12. Mergers

On May 24, 2016 the Company entered into a Share Exchange Agreement ("Agreement") with High Power Ventures Inc. (HPV), where the Company's two subsidiaries merged with HPV's two subsidiaries. Golden Grouse merged with IBEX Land and Nadmin merged with IBEX. IBEX Land owns seven mineral exploration licenses and two new license applications covering 1,500 square km in Mongolia. In consideration, the Company issued 5,895,000 common shares with a fair value of $1,473,750 and 2,947,500 warrants with a fair value of $506,073 to HPV (Notes 6 and 7).

In addition to the Agreement, the Company borrowed US$48,576 ($63,723) from HPV for payments on license fees. The payable was non-interest bearing, unsecured and due on June 30, 2016. The loan was settled with issuance of 186,831 common shares with a fair value of $93,416 on March 3, 2017 (Note 7).

(Expressed in Canadian Dollars)

12. Mergers – *continued*

The allocation of fair value of the consideration transferred are as follows:

		IBEX		IBEX Land		Total
Shares and warrants consideration paid	$	880	$	1,100	$	1,980
Less: Net assets of IBEX and IBEX Land						
Cash		(12)		(18)		(30)
Equipment		(169)		(74)		(243)
Add: Loan from HPV		-		64		64
Add: Transaction costs		43		22		65
Additions to exploration and evaluation assets	**$**	**742**	**$**	**1,094**	**$**	**1,836**

13. Commitments and Contingencies

Contingencies

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

14. Subsequent Events

On May 10, 2018, the Company granted options to purchase up to an aggregate of 125,000 common shares each exercisable on or before May 10, 2020 at a price of $0.20 per share to newly-appointed directors, Ray Nadarajah and Anthony Jackson, in accordance with the Company's stock option plan.

Subsequent to the period ended March 31, 2018, the Company issued 210,000 shares at a deemed price of $0.25 to certain directors, officers and service providers for services rendered to the Company.