



**Kincora Copper Limited**  
*(An Exploration Stage Company)*

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*Expressed in Canadian Dollars*  
*(Unaudited – Prepared by Management)*

**For the nine-month period ended September 30, 2017**

**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)

Statement 1

<b>ASSETS</b>	<b>September 30, 2017</b>		<b>December 31, 2016</b>	
<b>Current</b>				
Cash and cash equivalents (Note 15)	\$	3,146	\$	228
Funds held in trust (Notes 7 and 14)		-		454
Receivables, prepaids and deposits		411		97
		<u>3,557</u>		<u>779</u>
Equipment (Note 11)		266		234
Exploration and evaluation assets (Note 6)		49,689		49,033
	\$	<u>53,512</u>	\$	<u>50,046</u>
<b>LIABILITIES</b>				
<b>Current</b>				
Accounts payable (Note 9)	\$	641	\$	455
Accrued liabilities		-		32
Short term loan (Notes 7 and 12)		-		518
		<u>641</u>		<u>1,005</u>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital (Note 7)		163,808		159,775
Obligation to issue shares		-		13
Share-based payment reserve (Note 7)		9,905		7,726
Foreign currency translation reserve		178		118
Deficit		<u>(121,020)</u>		<u>(118,591)</u>
		<u>52,871</u>		<u>49,041</u>
	\$	<u>53,512</u>	\$	<u>50,046</u>

**Nature of Operations and Going Concern** (Note 1)

**Commitments and Contingencies** (Note 13)

**Subsequent Events** (Note 15)

Approved and authorized by the Board of Directors on November 29, 2017

"Luke Leslie"

Luke Leslie  
Chairman

"Sam Spring"

Sam Spring  
President and CEO

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

# Kincora Copper Limited

Statement 2

(An Exploration Stage Company)

## Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

For the,

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

(Unaudited – Prepared by Management)

	For the three-month period ended September 30, 2017	For the three-month period ended September 30, 2016	For the nine-month period ended September 30, 2017	For the nine-month period ended September 30, 2016
<b>Expenses</b>				
Bank charges and interest	\$ 1	\$ 1	\$ 3	\$ (1)
Consultants	307	23	535	55
Consultants - Geologists	42	40	96	40
Consultants - Technical	84	-	84	-
Corporate administrative and office services	60	74	135	163
Directors and audit committee fees (Note 9)	47	36	138	129
Foreign exchange loss (gain)	14	(12)	18	6
Insurance	4	4	12	16
Interest on convertible debenture	-	64	-	64
Investor relations	4	4	10	12
Legal and accounting (Note 9)	44	14	107	115
Salaries and management fees (Note 9)	54	69	214	227
Share-based compensation (Note 7)	-	762	936	769
Transfer agent and filing fees	31	32	50	51
Travel	13	8	32	16
	<b>705</b>	<b>1,119</b>	<b>2,370</b>	<b>1,662</b>
<b>Other items</b>				
Gain on sale of assets	(1)	-	(10)	-
Loss on settlement of debt	20	-	69	-
	<b>724</b>	<b>1,119</b>	<b>2,429</b>	<b>1,662</b>
<b>Loss and comprehensive loss for the period</b>	<b>\$ 724</b>	<b>\$ 1,119</b>	<b>\$ 2,429</b>	<b>\$ 1,662</b>
<b>Loss per share – basic and diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.03</b>	<b>\$ 0.05</b>	<b>\$ 0.05</b>
Weighted average number of common shares outstanding (000's)	<b>59,324</b>	<b>35,227</b>	<b>53,197</b>	<b>33,969</b>

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

**Kincora Copper Limited***(An Exploration Stage Company)***Interim Condensed Consolidated Statements of Cash Flows  
For the nine-month period ended September 30,***(Figures in tables are expressed in thousands of Canadian dollars)**(Unaudited – Prepared by Management)*

<b>Cash provided by (used in):</b>	<b>2017</b>	<b>2016</b>
<b>Operating Activities</b>		
Loss for the period:	\$ (2,429)	\$ (1,662)
Items not affected by cash:		
Amortization	147	2
Unrealized FX gain	60	-
Interest on convertible debenture	-	64
Share-based compensation	936	769
Deferred share unit plan	-	(3)
Changes in non-cash working capital items:		
Receivables, prepaids and deposits	(314)	(32)
Short term loan	(64)	-
Accounts payable and accrued liabilities	491	150
Due to related parties	-	159
Net cash used in operating activities	(1,173)	(553)
<b>Financing Activity</b>		
Proceeds from private placement	4,926	1,053
Net cash provided by financing activity	4,926	1,053
<b>Investing Activities</b>		
Acquisition of capital assets	(179)	(41)
Exploration and evaluation asset expenditures	(656)	(75)
Net cash used in investing activities	(835)	(116)
<b>Change in cash and cash equivalents</b>	2,918	384
Cash and cash equivalents - beginning of period	228	398
<b>Cash and cash equivalents - end of period</b>	\$ 3,146	\$ 782

**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 September 30, 2017

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

(Unaudited – Prepared by Management)

Statement 4

	Share capital (Number of Shares)	Share capital (Amount) \$	Obligation to issue share \$	Share-based payment reserve \$	Deferred share unit plan \$	Deficit \$	Equity component – convertible debenture \$	Foreign currency translation gain \$	Total \$
Balance, December 31, 2015	31,412,454	154,141	-	7,034	3	(116,947)	721	118	45,070
Share-based compensation	-	-	-	769	-	-	-	-	769
Shares issued for interest on convertible debenture	560,137	168	-	-	-	-	-	-	168
Shares issued for settlement of convertible debenture	6,666,667	2,000	-	-	-	-	-	-	2,000
Shares issued for directors and management fees accrual	577,500	173	-	-	-	-	-	-	173
Private placement	3,510,201	1,053	-	-	-	-	-	-	1,053
Shares reserved for issuance under deferred share unit plan	-	-	-	-	(3)	-	-	-	(3)
Loss for the period	-	-	-	-	-	(1,662)	-	-	(1,662)
<b>Balance, September 30, 2016</b>	<b>42,726,959</b>	<b>157,535</b>	<b>-</b>	<b>7,803</b>	<b>-</b>	<b>(118,609)</b>	<b>721</b>	<b>118</b>	<b>47,568</b>
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	568,215	297	-	-	-	-	-	-	297
Shares issued for private placement	15,254,894	3,683	(13)	1,243	-	-	-	-	4,913
Shares issued for services	166,919	53	-	-	-	-	-	-	53
FX translation adjustment	-	-	-	-	-	-	-	60	60
Loss for the period	-	-	-	-	-	(2,429)	-	-	(2,429)
<b>Balance, September 30, 2017</b>	<b>64,611,978</b>	<b>163,808</b>	<b>-</b>	<b>9,905</b>	<b>-</b>	<b>(121,020)</b>	<b>-</b>	<b>178</b>	<b>52,871</b>

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

# Kincora Copper Limited

(An Exploration Stage Company)

## Notes to the Interim Condensed Consolidated Financial Statements

For the nine-month period ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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### 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 September 30, 2017, the Company has an accumulated deficit of \$121,020,000, a net loss for the nine-month ended September 30, 2017 of \$2,429,000 and has working capital of \$2,916,000, noting a further \$1,400,000 was raised via the second tranche non-brokered private placement of units that closed on October 11th, 2017. The Second Tranche Private Placement follows closing of a First Tranche on August 22nd 2017, with total gross funds raised being C\$5.92m, supporting a well funded and aggressive exploration and expansion strategy.

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.

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### 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, 2016 prepared in accordance with IFRS applicable to annual financial statements.

#### *Critical Accounting Estimates*

# Kincora Copper Limited

(An Exploration Stage Company)

## Notes to the Interim Condensed Consolidated Financial Statements

For the nine-month period ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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### 2. Basis of Preparation – continued

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:

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

#### a) Basis of consolidation

The unaudited interim condensed 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.



# Kincora Copper Limited

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## Notes to the Interim Condensed Consolidated Financial Statements

For the nine-month period ended September 30, 2017

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### 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.

# Kincora Copper Limited

(An Exploration Stage Company)

## Notes to the Interim Condensed Consolidated Financial Statements

For the nine-month period ended September 30, 2017

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### 3. Significant Accounting Policies – continued

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.

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.

# Kincora Copper Limited

(An Exploration Stage Company)

## Notes to the Interim Condensed Consolidated Financial Statements

For the nine-month period ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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### 3. Significant Accounting Policies – continued

#### 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 September 30, 2017 and December 31, 2016, the Company had no provisions for environmental rehabilitation.

#### 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.

# Kincora Copper Limited

(An Exploration Stage Company)

## Notes to the Interim Condensed Consolidated Financial Statements

For the nine-month period ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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### 3. Significant Accounting Policies – continued

#### i) Financial instruments – continued

*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.

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.

# Kincora Copper Limited

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## Notes to the Interim Condensed Consolidated Financial Statements

For the nine-month period ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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### 3. Significant Accounting Policies – *continued*

#### i) Financial instruments – *continued*

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. 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 nine-month period ended September 30, 2017 and year ended December 31, 2016 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 ("\$").

#### k) 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.

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## Notes to the Interim Condensed Consolidated Financial Statements

For the nine-month period ended September 30, 2017

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### 3. Significant Accounting Policies – continued

#### k) Impairment of assets – continued

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.

#### l) New accounting standards

##### *New standard IFRS 9 "Financial Instruments"*

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has not early adopted this revised standard and is currently assessing the impact that this standard will have on its consolidated financial statements.

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

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# Kincora Copper Limited

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## Notes to the Interim Condensed Consolidated Financial Statements

For the nine-month period ended September 30, 2017

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### 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.

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### 5. Management of Financial Risk

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

#### *Interest rate risk*

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

#### *Currency risk*

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.

# Kincora Copper Limited

(An Exploration Stage Company)

## Notes to the Interim Condensed Consolidated Financial Statements

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### 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 September 30, 2017, the Company had a cash balance of \$3,146,000 (December 31, 2016 - \$228,000) to settle current liabilities of \$641,000 (December 31, 2016 - \$1,005,000), noting a further \$1,400,000 was raised via the second tranche non-brokered private placement of units that closed on October 11<sup>th</sup> 2017.

The Second Tranche Private Placement follows closing of a First Tranche on August 22<sup>nd</sup> 2017, with total gross funds raised being C\$5.92m, 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.

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### 6. Exploration and Evaluation Assets

*Exploration and evaluation assets – Mongolia – Bronze Fox*

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

As at September 30, 2017, the exploration and evaluation assets expenditures incurred on the property to date include the following (000's):

	Balance – December 31, 2016	Exploration additions	Balance – September 30, 2017
Acquisition (Note 12)	\$ 2,524	\$ -	\$ 2,524
Assay	1,302	8	1,310
Camp	513	-	513
Depreciation	273	47	320
Drilling	7,143	-	7,143
Environmental	2	-	2
Fuel	63	-	63
Geological/geophysics	676	2	678
License/fees/taxes	18	-	18
Management and planning	10	-	10
Meals and entertainment	1	-	1
Rental/utilities	223	1	224
Salaries	676	40	716
Sampling	61	-	61
Supplies/safety gear	105	2	107
Transportation/travel	96	-	96
	13,686	100	13,786
RTO Acquisition of Bronze Fox	34,100	-	34,100
<b>Total</b>	<b>\$ 47,786</b>	<b>\$ 100</b>	<b>\$ 47,886</b>

	Balance – December 31, 2015	Exploration additions	Balance – September 30, 2016
Acquisition	\$ 35,882	\$ -	\$ 35,882
Amortization (Note 11)	201	28	229
Assay	1,302	-	1,302
Camp	513	-	513
Drilling	7,143	-	7,143
Environmental	2	-	2
Fuel	63	-	63
Geological/geophysics	675	-	675
License/fees/taxes	18	-	18
Management and planning	10	-	10
Meals and entertainment	-	1	1
Rental/utilities	206	17	223
Salaries	656	54	710
Supplies/safety gear	105	3	108
Sampling	57	-	57
Transportation/travel	94	-	94
<b>Total</b>	<b>\$ 46,927</b>	<b>\$ 103</b>	<b>\$ 47,030</b>

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### 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 LLC (“Golden”) from the optionor, Temujin Mining Corp. (“Temujin”), which held two mineral exploration licenses adjoining the Company’s Bronze Fox project in Mongolia.

The Company received official notification from the Mineral Resources Authority of Mongolia (“MRAM”) advising that the Company’s two exploration licenses wholly owned by Golden Grouse had been revoked as part of the 106-license dispute. The revocation of licenses was effective October 30, 2013 following a resolution issued by the Chairman of the Geology and Mining Cadastre Department. The Company wrote off all acquisition and exploration expenditures related to the Golden Grouse property during the year ended December 31, 2013.

On March 24, 2015, following due process and as specified in the competitive selection process, the Company regained the licenses with a full 12-year term. Despite previously recognizing a \$6,952,000 impairment in the December 31, 2013 financial statements, it has been determined that under IFRS the Company is not able to recognize any previously impaired costs or the “threshold price” accepted by the Government of Mongolia following the return of the licenses. This is despite the returned licenses being returned as new, not in the midpoint of their previous life cycle and these licenses issued as a result of resolution of the 106 dispute being the first exploration licenses issued in Mongolia since 2010, hence there is a particular premium within the industry. The Company retains all the previous exploration results that were in place for when the previous \$6,952,000 valuation that was previously written off.

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 September 30, 2017, the exploration and evaluation assets expenditures incurred on the property to date include the following (000’s):

	Balance – December 31, 2016	Exploration additions	Balance – September 30, 2017
Acquisition (Note12)	\$ 1,094	\$ -	\$ 1,094
Amortization (Note 11)	18	12	30
Assay	10	1	11
Drilling	-	269	269
Geological/geophysics	95	-	95
Labour	74	70	144
License/fees/taxes	-	93	93
Mapping	(21)	-	(21)
Meals and entertainment	6	16	22
Rental/utilities	11	29	40
Repairs and maintenance	-	12	12
Supplies/safety gear	8	24	32
Transportation	13	30	43
Impairment	(61)	-	(61)
<b>Total</b>	<b>\$ 1,247</b>	<b>\$ 556</b>	<b>\$ 1,803</b>

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### 7. Share Capital and Contributed Surplus

*Authorized share capital:* Unlimited Common shares without par value

*Share consolidation:*

On July 28, 2016, the Company consolidate its issued and outstanding share capital on the basis of one post-consolidation share for each ten pre-consolidation common shares. The Company's options and warrants were also consolidated on the same basis. All shares, options and warrants information are reflected on a post consolidation basis.

*Share issuances:*

- a) During the year ended December 31, 2015, the Company issued 435,000 shares to Origo Partners PLCC ("Origo") as consideration for the interest relating to the \$2,500,000 convertible debenture (Note 14). \$87,000 has been recorded to share capital based upon the fair value of the shares at the date of issuance and \$131,000 has been recorded as a gain on settlement of debt (Note 14).
- b) On July 27, 2016, the Company issued 560,137 shares to 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).
- c) 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.
- d) 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).
- e) 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.
- f) On October 28, 2016, the Company issued 5,895,000 common shares with a fair value of \$1,473,750 a 2,947,500 warrants with a fair value of \$506,073 pursuant to the asset acquisition transaction (Note 12).
- g) 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 \$4,201 in connection with this private placement. During the year ended December 31, 2016, the Company received \$454,000 subscription funds related to a private placement that was closed on February 10, 2017 (Note 7). The subscription held in trust was recorded as an unsecured, non-interest bearing short term loan until the closing of the private placement.
- h) On March 3, 2017, the Company issued 186,831 shares to settle the US\$48,576 loan owing to HPV (Note 12).
- i) On March 3, 2017, the Company issued 254,112 shares 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.

# Kincora Copper Limited

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### 7. Share Capital and Contributed Surplus – continued

*Share issuances: – continued*

- j) On August 4, 2017, the Company closed the previously announced 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. In connection to this non-brokered private placement, the Company issued 365,493 finder's warrants at \$0.445 for a period of two years.
- k) On August 21, 2017, the Company issued 127,272 shares to settle the \$42,000 outstanding debt to directors.
- l) On August 21, 2017, the Company issued 166,919 shares to certain directors, officers and service providers for services rendered during the period January 1, 2017 to June 30, 2017 in the amount of \$53,414.
- m) On September 22, 2017, the Company announced a subscription agreement for a second tranche non-brokered private placement of units at C\$0.33 per Unit to raise C\$1,400,000 with the European Bank for Reconstruction and Development ("EBRD"). The Second Tranche Private Placement with EBRD closed subsequent to period end on October 11, 2017.

*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) 1,371,477 stock options have at an exercise price of \$0.375 per share and will vest on September 13, 2017; 2) 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 \$468,842 for the options with an exercise price of \$0.43 and \$467,104 for the options with an exercise price of \$0.54.

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

	January 23, 2017	September 13, 2016
Expected dividend yield	0%	0%
Expected stock price volatility	215%	207%
Risk free rate	0.99%	0.70%
Forfeiture rate	0%	0%
Expected life of options	4 years	5 years

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### 7. Share Capital and Contributed Surplus – continued

Stock options: - continued

During the nine-month ended September 30, 2017, the Company recorded share-based compensation of \$936,000 (2016 - \$769,000) for the options vested.

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

	Number of options	Weighted average exercise price
<b>Balance outstanding – December 31, 2014 and 2015</b>	<b>2,980,000</b>	<b>\$2.00</b>
Granted	1,371,477	0.375
Granted	1,371,477	0.525
Cancelled	(2,455,000)	2.00
Expired	(525,000)	2.00
<b>Balance outstanding – December 31, 2016</b>	<b>2,742,954</b>	<b>\$0.45</b>
Granted	1,028,150	0.43
Granted	1,028,150	0.54
<b>Balance outstanding – September 30, 2017</b>	<b>4,799,254</b>	<b>\$0.46</b>

The weighted average life of the stock options are 3.67 years.

As at September 30, 2017, 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	\$0.525	September 13, 2021	-
1,028,150	\$0.430	January 23, 2021	-
1,028,150	\$0.540	January 23, 2021	-
<b>4,799,254</b>			<b>-</b>

Deferred share unit (“DSU”) plan:

The Company has had a deferred share unit plan whereby non-executive a director can 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 will earn compensation quarterly (\$3,000 per quarter per director) at which time the Company has the option to either distribute/” pay out” a DSU via cash or the issuance of shares. During the nine-month ended September 30, 2017, the Company incurred \$Nil (2016 - \$3,000) of directors' fees as DSU. As of September 30, 2017, the Company accrued \$Nil (December 31, 2016 - \$Nil) and paid out \$Nil (December 31, 2016 - \$39,000).

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### 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
<b>Balance – September 30, 2017</b>	<b>10,168,580</b>	<b>\$0.473</b>

The weighted average life of the warrants are 1.57 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 stock 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	148%	173%
Risk free rate	1.24%	0.57%
Forfeiture rate	0%	0%
Expected life of warrants	2 years	2 years

As at September 30, 2017, the following warrants are outstanding and exercisable:

Number	Price per share	Expiry date	Warrants exercisable
2,947,500	\$0.540	November 28, 2018	-
7,221,080	\$0.445	August 4, 2019	-
<b>10,168,580</b>	<b>\$0.473</b>		-

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. On September 30, 2017, Nil shares (December 31, 2016 – Nil) remained in escrow.

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### 7. Share Capital and Contributed Surplus – continued

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.

The equity component reserve records the equity component of convertible debentures with liability and equity components. On conversion, the amount recorded is 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.

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### 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.

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### 9. Related Party Transactions

The Company incurred the following amounts for related party services:

- a) During the nine-month ended September 30, 2017, the Company incurred directors' fees of \$Nil (2016 - \$8,334), to Rickus Partners Ltd., a company with a former officer and former director in common.
- b) During the nine-month ended September 30, 2017, the Company incurred \$55,350 (2016 - \$31,230) to BridgeMark Financial Corp, a company with an officer in common for management and accounting services.
- c) During the nine-month ended September 30, 2017, the Company incurred management fees of \$213,750 (2016 - \$174,583) to Spring Resources Pty Ltd., a company with an officer in common.
- d) During the nine-month ended September 30, 2017, the Company incurred consulting fees of \$51,000 (2016 - \$Nil) to a director of the Company. \$13,333 was paid in cash and \$24,000 was settled by issuance of 25,000 shares at \$0.48 per share and 34,285 shares at \$0.35 per share.
- e) During the nine-month ended September 30, 2017, the Company incurred director's fees of \$139,333 (2016 - \$6,000).
- f) At September 30, 2017, the Company owed \$Nil (December 31, 2016 - \$66,833) in accrued directors' fees in accounts payable.
- g) At September 30, 2017, the Company prepaid \$300,572 for management fees, chairman, directors and audit committee fees.

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### 9. Related Party Transactions – continued

- h) During the nine months ended September 30, 2017, the Company issued 548,303 common shares with a fair value of \$256,773 to settle \$217,500 payables owing to the officers and directors of the Company. During the year ended December 31, 2016, the Company issued 339,167 common shares with a fair value of \$115,317 to settle \$101,750 of payables owing to the officers and directors of the Company (Note 7).

#### Compensation of key management personnel

	September 30, 2017	September 30, 2016
Management fees, chairman, directors and audit committee fees	\$ 459	\$ 220
Share-based payments*	936	729
	<u>\$ 1,395</u>	<u>\$ 949</u>

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

### 10. Supplemental Disclosure of Cash Flow Information

	September 30, 2017	September 30, 2016
Cash paid for interest	\$ Nil	\$ Nil
Cash paid for income taxes	\$ Nil	\$ Nil

	September 30, 2017	December 31, 2016
Cash	\$ 3,146	\$ 228
	<u>\$ 3,146</u>	<u>\$ 228</u>

Supplemental Disclosure of Non-Cash Financing and Investing Activities include ('000):	September 30, 2017	December 31, 2016
Amortization capitalized to exploration and evaluation assets	\$ Nil	\$ 90
Shares issued in settlement of debt	\$ 297	\$ 2,386
Shares issued for acquisition of Ibex	\$ Nil	\$ 1,474



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### 11. Equipment

Net carrying costs at September 30, 2017 and December 31, 2016 are as follows ('000):

	Computers	Exploration Equipment	Total
<b>Cost</b>			
Balance as at December 31, 2015	\$ 8	\$ 266	\$ 274
Additions	6	264	270
Disposals	-	(1)	(1)
Balance as at December 31, 2016	14	529	543
Additions	4	175	179
Disposals	-	(50)	(50)
<b>Balance as at September 30, 2017</b>	<b>\$ 18</b>	<b>\$ 654</b>	<b>\$ 672</b>
<b>Accumulated amortization</b>			
Balance as at December 31, 2015	\$ (8)	\$ (207)	\$ (215)
Amortization	(5)	(90)	(95)
Disposals	-	1	1
Balance as at December 31, 2016	(13)	(296)	(309)
Amortization	-	(147)	(147)
Disposals	-	50	50
<b>Balance as at September 30, 2017</b>	<b>\$ (13)</b>	<b>\$ (393)</b>	<b>\$ (406)</b>
<b>Net book value</b>			
At December 31, 2016	\$ 1	\$ 233	\$ 234
<b>At September 30, 2017</b>	<b>\$ 5</b>	<b>\$ 261</b>	<b>\$ 266</b>

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### 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 the Company’s common shares (Note 7).

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
<b>Additions to exploration and evaluation assets</b>	<b>\$ 742</b>	<b>\$ 1,094</b>	<b>\$ 1,836</b>

### 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.

# Kincora Copper Limited

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## Notes to the Interim Condensed Consolidated Financial Statements

**For the nine-month period ended September 30, 2017**

*(Expressed in Canadian Dollars)*

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### 14. Convertible Debenture

On July 18, 2012, the Company issued a \$2,500,000 debenture to Origo. The debenture is payable three years from the date of issuance, maturing on July 18, 2015. The debenture 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 TSXV, and is convertible into units at any time after the date of issuance at a price of \$2.50 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 \$4.50 for a term ending at the maturity date. On October 31, 2015, the Company entered into an agreement to extend the term of the debenture to October 20, 2016 while the interest rate and conversion terms remained the same. In relation to the extension of the term of the debenture, \$500,000 was placed in trust.

In July 2016, the Company settled the principal by transferring the \$500,000 held in trust to Origo and issued 6,666,667 shares with a fair value of \$2,000,000 to settle the remaining principal balance. In addition, the Company issued 560,137 common shares with a fair value of \$190,000 to settle total accrued interest of \$229,000 (Note 7).

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 recorded \$1,779,000 as the liability amount and \$721,000 as the equity amount. The Company recorded accretion of \$Nil during the year ended December 31, 2016 (December 31, 2015 - \$139,000). During the year ended December 31, 2016, interest expense of \$125,000 (December 31, 2015 - \$217,500) was settled with the issuance of shares relating to the annual interest payable on the debenture which resulted in a gain of \$39,000 (2015 - \$131,000) (Note 7). As at December 31, 2016, interest of \$Nil (December 31, 2015 - \$104,000) has been accrued on the debenture.

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### 15. Subsequent Events

On October 11, 2017, the Company closed a second tranche non-brokered private placement of units at \$0.33 per unit to raise \$1,400,000. The second tranche private placement follows closing of a first tranche on August 22, 2017, with total gross funds raised being \$5,924,687, supporting a well-financed and aggressive exploration and expansion strategy.

As per the Company's September 22, 2017, news release, 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.

The Company's current cash balance is \$3,492,284.

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