



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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*Expressed in Canadian Dollars*  
*(Unaudited – Prepared by Management)*

**For the nine-month periods ended September 30, 2023 and 2022**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by and the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

# 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)

Statement 1

	September 30, 2023		December 31, 2022
	(Unaudited)		(Audited)
<b>ASSETS</b>			
<b>Current</b>			
Cash	\$ 1,783	\$	2,224
Receivables, prepaids and deposits	293		155
	<u>2,076</u>		<u>2,379</u>
Security deposits (Notes 6 and 12)	88		175
Equipment (Note 11)	92		77
Exploration and evaluation assets (Note 6)	15,007		13,463
	<u>\$ 17,263</u>	\$	<u>16,094</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable (Note 7 and 9)	\$ 160	\$	405
Accrued liabilities	8		59
	<u>168</u>		<u>464</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital (Note 7)	190,183		187,930
Share-based payment reserve	14,432		14,164
Obligation to issue shares (Note 7 and 9)	314		195
Foreign currency translation reserve	(367)		(284)
Deficit	(187,467)		(186,375)
	<u>17,095</u>		<u>15,630</u>
	<u>\$ 17,263</u>	\$	<u>16,094</u>

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

**Contingencies** (Note 12)

Approved and authorized by the Board of Directors on November 14, 2023

"Ray Nadarajah"

Ray Nadarajah  
Director

"Sam Spring"

Sam Spring  
Director

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

# Kincora Copper Limited

(An Exploration Stage Company)

Statement 2

## 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)

	<b>Three-month period ended September 30, 2023</b>	Three-month period ended September 30, 2022	<b>Nine-month period ended September 30, 2023</b>	Nine-month period ended September 30, 2022
<b>Expenses</b>				
Consultants (Note 9)	\$ 38	\$ 37	\$ 113	\$ 125
Consultants – Geologists (Note 9)	5	5	15	15
Consultants – Technical	18	18	56	56
Corporate administrative and office services	45	50	225	222
Directors and audit committee fees (recovery) (Note 9)	24	30	72	90
Foreign exchange gain	(83)	(49)	(122)	(54)
Insurance	55	97	70	161
Investor relations	22	25	113	97
Legal and accounting	88	18	149	63
Management fees (Note 9)	55	55	165	165
Share-based compensation (Notes 7 and 9)	21	108	108	496
Transfer agent and filing fees	77	1	128	56
	<b>(365)</b>	<b>(395)</b>	<b>(1,092)</b>	<b>(1,492)</b>
<b>Net loss for the period</b>	<b>\$ (365)</b>	<b>\$ (395)</b>	<b>\$ (1,092)</b>	<b>\$ (1,492)</b>
Foreign currency translation	(27)	(52)	(83)	(114)
<b>Comprehensive loss for the period</b>	<b>\$ (392)</b>	<b>\$ (447)</b>	<b>\$ (1,175)</b>	<b>\$ (1,606)</b>
Loss per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	191,477	122,937	171,345	121,825

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

# Kincora Copper Limited

(An Exploration Stage Company)

Statement 3

## Interim Condensed Consolidated Statements of Cash Flows

For the nine-month periods 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>2023</b>		<b>2022</b>	
<b>Operating activities</b>				
Loss for the period:	\$	(1,092)	\$	(1,492)
Items not affected by cash:				
Obligation to issue shares		119		119
Share-based compensation		108		494
Changes in non-cash working capital items:				
Receivables, prepaids and deposits		(51)		313
Accounts payable and accrued liabilities		(296)		(437)
Net cash used in operating activities		<u>(1,212)</u>		<u>(1,003)</u>
<b>Investing activities</b>				
Acquisition of equipment		(71)		(44)
Security deposits		87		(34)
Government grant received		115		183
Exploration and evaluation asset expenditures		(1,690)		(2,631)
Net cash used in investing activities		<u>(1,559)</u>		<u>(2,526)</u>
<b>Financing activity</b>				
Proceeds from private placement, net of issue costs		2,413		-
Net cash provided by financing activity		<u>2,413</u>		<u>-</u>
<b>Effect of foreign exchange translation</b>		<u>(83)</u>		<u>(114)</u>
<b>Change in cash and cash equivalents</b>		<u>(441)</u>		<u>(3,643)</u>
Cash and cash equivalents – beginning of period		2,224		4,831
<b>Cash and cash equivalents – end of period</b>	\$	<u>1,783</u>	\$	<u>1,188</u>

### Supplemental Disclosure of 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 For the nine-month periods ended September 30, 2023 and 2022

(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 \$	Obligation to issue shares \$	Share-based payment reserve \$	Foreign currency translation reserve \$	Deficit \$	Total \$
Balance, December 31, 2021	120,712,026	186,237	2,099	11,930	(247)	(184,414)	15,605
Shares issued for debts	2,225,151	363	(363)	-	-	-	-
Shares for services to be issued	-	-	119	-	-	-	119
Options issued for accrued share issuance costs	-	-	(1,700)	1,700	-	-	-
Share-based compensation	-	-	-	485	-	-	485
Net comprehensive loss for the period	-	-	-	-	(114)	(1,492)	(1,606)
<b>Balance, September 30, 2022</b>	<b>122,937,177</b>	<b>186,600</b>	<b>155</b>	<b>14,115</b>	<b>(361)</b>	<b>(185,906)</b>	<b>14,603</b>
Balance, December 31, 2022	151,440,747	187,930	195	14,164	(284)	(186,375)	15,630
Shares issued for private placement, net	55,732,794	2,413	-	-	-	-	2,413
Options issued as share issuance costs	-	(160)	-	160	-	-	-
Shares for services to be issued	-	-	119	-	-	-	119
Share-based compensation	-	-	-	108	-	-	108
Net comprehensive loss for the period	-	-	-	-	(83)	(1,092)	(1,175)
<b>Balance, September 30, 2023</b>	<b>207,173,541</b>	<b>190,183</b>	<b>314</b>	<b>14,432</b>	<b>(367)</b>	<b>(187,467)</b>	<b>17,095</b>

\*The share numbers have been adjusted to reflect a consolidation of the Company's share capital on a 3:1 basis effective January 8, 2021 (Note 7) and does not reflect the consideration shares due to RareX from Kincora acquiring RareX's minority interests in various NSW projects (Note 7, Share Capital).

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 periods ended September 30, 2023 and 2022**

*(Expressed in Canadian Dollars)*

*(Unaudited – Prepared by Management)*

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### **1. Nature of Operations and Going Concern**

Kincora Copper Limited (“the Company” or “Kincora”) was incorporated in British Columbia, Canada 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”) and began trading on the Australian Securities Exchange (“ASX”) effective March 30, 2021, both under the symbol KCC.

The head office of the Company is located at Suite #400 - 837 West Hastings Street, Vancouver, British Columbia, Canada V6C 3N6 and the registered address and records office is located at 25<sup>th</sup> Floor, 700 West Georgia Street, Vancouver, British Columbia, Canada V7Y 1D3.

These interim condensed consolidated 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, 2023, the Company has an accumulated deficit of \$187,467,000 a net loss for the nine-month period ended September 30, 2023 of \$1,092,000, has working capital of \$1,908,000 and a cash balance of \$1,783,000. As of September 30, 2023, the Company recorded a receivable of \$87,230 which was received subsequently, relating to the non-refundable deposit pursuant to a confidential and incomplete offer for the sale of the Company’s Mongolian assets. If the going concern assumption was not appropriate for these interim condensed consolidated financial statements, adjustments would be necessary to 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 Standards (“IAS”) 34 Interim Financial Reporting.

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 interim condensed consolidated 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 interim condensed consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the Company’s annual consolidated

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## Notes to the Interim Condensed Consolidated Financial Statements For the nine-month periods ended September 30, 2023 and 2022

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### 2. Basis of Preparation - continued

#### *Statement of Compliance - continued*

financial statements for the year ended December 31, 2022 prepared in accordance with IFRS applicable to annual consolidated financial statements.

#### *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 interim condensed consolidated 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 capitalized acquisition and expenditure costs, facing review for impairment based on factors including the planned exploration budgets and activities, commodity prices, drill results of exploration programs, and strategic direction of the Company;
  - The inputs used in accounting for share-based compensation expense included in profit or loss calculated using the Black-Scholes Option Pricing Model;
  - 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 interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Kincora Group Ltd (“KGL”), Nadmin IBEX LLC (“Nadmin”), Golden Grouse IBEX LLC (“Golden Grouse”), BSG Investments Inc. (“BSGII”), Game Creek Company Limited (“Game Creek”), Samsul Mineração Ltda. (“Samsul”), Kincora Australia Limited and Kincora Copper Australia Pty Ltd. Inter-company balances and transactions are eliminated on consolidation. BSGII, Game Creek, Kincora Australia Limited and KGL are British Virgin Island incorporated companies. Nadmin and Golden Grouse were incorporated in Mongolia. Samsul is incorporated in Brazil. Kincora Copper Australia Pty Ltd was incorporated in Australia in 2019.

#### 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



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## Notes to the Interim Condensed Consolidated Financial Statements For the nine-month periods ended September 30, 2023 and 2022

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

#### b) Share-based compensation – *continued*

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.

#### 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.

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## Notes to the Interim Condensed Consolidated Financial Statements For the nine-month periods ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

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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 year. For all years 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.

#### 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 (except Kincora Copper Australia Pty Ltd), for the nine-month period ended September 30, 2023 and the year ended December 31, 2022 is the Canadian Dollar, and the functional currency of Kincora Copper Australia Pty Ltd is the Australian Dollar. The

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## Notes to the Interim Condensed Consolidated Financial Statements For the nine-month periods ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

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### 3. Significant Accounting Policies – continued

#### h) Functional and presentation currency – continued

functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates* (“IAS 21”). The Company’s presentation currency is the Canadian dollar (“\$”).

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

#### Foreign operations

The financial results and position of foreign operations whose functional currency is different from the Company’s presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company’s foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

#### 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.

Under the legislative environments the Company may operate in, environmental bonds and prepayments can be required to support gaining operational and exploration approvals, and held until such work is completed and rehabilitation completed. Such payments are recorded as a prepayment until return and receipt to the Company. The Company’s estimates of reclamation costs, environmental bonds and prepayments 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

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## Notes to the Interim Condensed Consolidated Financial Statements For the nine-month periods ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

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

#### i) Provision for environmental rehabilitation – *continued*

value, excluding changes in the Company's estimates of reclamation costs, would be charged to profit or loss for the period. At September 30, 2023 and December 31, 2022, 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 periodically reviewed, including following the reduction in any mineral tenure rights and 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.

#### k) Financial Instruments

##### Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or 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.

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## Notes to the Interim Condensed Consolidated Financial Statements For the nine-month periods ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

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### 3. Significant Accounting Policies – continued

#### k) Financial Instruments – continued

##### Classification – continued

<b>Financial assets/liabilities</b>	<b>Classification</b>
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Accounts payable	Amortized cost

##### 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 statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recorded in the statements of loss and comprehensive loss in the period in which they arise.

Fair value measurement disclosure includes classification of financial instrument 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 and accounts payable approximate the carrying value due to their short-term nature.

##### 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.

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

#### k) Financial Instruments – *continued*

##### Impairment of financial assets at amortized cost – *continued*

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's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, 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 statements of comprehensive loss. 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 statements of loss and comprehensive loss.

#### l) Leases

As at the commencement date of a lease, the Company recognizes a lease liability and an asset representing the right to use the underlying asset during the lease term (i.e. the "right-of-use" asset) unless the underlying asset has a low value or the lease term is twelve months or less, which are expensed in the period incurred. At this date, the right-of-use asset is measured at cost, which includes the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset. The right-of-use asset is then depreciated using the straight-line method from the lease commencement date to the earlier of the end of the lease term or the end of the useful life of the asset. The right-of-use asset may also be reduced for any impairment losses, if any.

At the lease commencement date, the lease liability is measured at the present value of the future lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate, which is the rate the Company would pay for similar assets at similar locations over a similar term. The lease liability is measured at amortized cost using the effective interest method.

# Kincora Copper Limited

(An Exploration Stage Company)

## Notes to the Interim Condensed Consolidated Financial Statements For the nine-month periods ended September 30, 2023 and 2022

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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 period. 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*

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 Australia and Mongolia, where many exploration and administrative expenses are incurred in the Australian Dollar, 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 Australian Dollar, Tugrik and the US dollar may have positive and/or adverse effect on the operations and operating costs of the Company. Management seeks to limit foreign currency risk, primarily seeking to retain funds in Canada and Australia wiring funds as and when needed to foreign subsidiaries to meet operating expenditures, and believes this risk to be minimal.

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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 Australia, with more limited funds in Mongolia, where the Mongolian subsidiaries make monthly cash calls. As most of the Company's cash is held by two banks there is a concentration of credit risk, and, in Mongolia one of the two subsidiary's bank accounts has been frozen by the Mongolian Tax Authority as a result of an ongoing tax dispute. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies and looking to avoid holding more than one month's budgeted cash reserves in Mongolia. 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, 2023, the Company had working capital of \$1,908,000 (A\$2,187,321) and a cash balance of \$1,783,000 (A\$2,044,022, December 31, 2022 - \$2,224,000) to settle current liabilities of \$168,000 (December 31, 2022 - \$464,000). As of September 30, 2023, the Company recorded a receivable of \$87,230 (A\$100,000) which was received subsequently.

On December 15, 2022, the Company raised \$1,330,000 from the first tranche of a non-brokered private placement. On March 6, 2023, the Company raised \$724,000 from the second tranche of the December 15, 2022 placement. On March 19, 2021, Company raised \$9,620,000 (A\$10,000,000) through an initial public offering ahead of commencement of trading and dual listing on the ASX.

On August 8, 2023, the Company completed an oversubscribed private placement and raised \$1,784,167 (A\$2,030,000) via the issuance of 40,600,000 new CDIs at \$0.045 (A\$0.05) per CDI. This placement includes a one (1) for two (2) free-attaching option exercisable at A\$0.075 (C\$0.065) and expiring 24-months from the issue.

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 general market prices and investor sentiment, particularly relating to copper and gold. The Company closely monitors general market conditions and commodity prices to determine the appropriate course of action to be taken.



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### 5. Management of Financial Risk – continued

#### Fraud risk

Fraud risk is the vulnerability that the Company faces from entities capable of intentional misconduct because of pressure, opportunity and rationalization. Fraud risk comes from sources both internal and external to the Company. The Company closely monitors its operations to determine the appropriate course of action to be taken.

### 6. Exploration and Evaluation Assets

For the nine-month period ended September 30, 2023 (000's)

	Bronze Fox		Golden Grouse		Macquarie Arc		Total	
Acquisition costs								
Acquisition & maintenance	\$	-	\$	-	\$	-	\$	-
Total current acquisition costs	\$	-	\$	-	\$	-	\$	-
Exploration costs								
Amortization	\$	30	\$	26	\$	-	\$	56
Assaying		-		-		101		101
Camp		13		26		3		42
Drilling		-		-		590		590
Fuel		-		-		36		36
License/fees/taxes		-		-		1		1
Rental/utilities		3		-		117		120
Salaries/labor		80		162		437		679
Supplies/safety gear		-		-		1		1
Transportation/travel		-		-		120		120
Total current exploration costs	\$	126	\$	214	\$	1,406	\$	1,746
Total costs incurred during the period	\$	126	\$	214	\$	1,406	\$	1,746
Balance, opening		1,241		388		11,834		13,463
Exclusivity payment received		(60)		(27)		-		(87)
Government grant received		-		-		(115)		(115)
Balance, ending	\$	1,307	\$	575	\$	13,125	\$	15,007
Cumulative costs:								
Acquisition	\$	36,624	\$	1,094	\$	773	\$	38,491
Exploration		13,439		4,059		12,651		30,149
Exclusivity payment received		(258)		(27)		-		(285)
Government grant received		-		-		(299)		(299)
Impairment		(48,498)		(4,551)		-		(53,049)
	\$	1,307	\$	575	\$	13,125	\$	15,007

# Kincora Copper Limited

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## Notes to the Interim Condensed Consolidated Financial Statements

For the nine-month periods ended September 30, 2023 and 2022

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### 6. Exploration and Evaluation Assets – continued

For the year ended December 31, 2022 (000's)

	Bronze Fox		Golden Grouse		Macquarie Arc		Total
Acquisition costs							
Acquisition & maintenance	\$	-	\$	-	\$	-	\$ -
Total current acquisition costs	\$	-	\$	-	\$	-	\$ -
Exploration costs							
Amortization	\$	35	\$	31	\$	-	\$ 66
Assaying		5		-		237	242
Camp		7		10		-	17
Drilling		-		-		987	987
Fuel		-		-		66	66
Geological/geophysics		1		4		-	5
License/fees/taxes		1		1		10	12
Rental/utilities		2		2		143	147
Salaries/labor		70		136		1,026	1,232
Supplies/safety gear		-		-		63	63
Transportation/travel		-		-		208	208
Total current exploration costs	\$	121	\$	184	\$	2,740	\$ 3,045
Total costs incurred during the year	\$	121	\$	184	\$	2,740	\$ 3,045
Balance, opening		1,175		204		9,278	10,657
Exclusivity payment received		(55)		-		-	(55)
Government grant received		-		-		(184)	(184)
Balance, end of the year	\$	1,241	\$	388	\$	11,834	\$ 13,463
Cumulative costs:							
Acquisition	\$	36,624	\$	1,094	\$	773	\$ 38,491
Exploration		13,313		3,845		11,245	28,403
Exclusivity payment received		(198)		-		-	(198)
Government grant received		-		-		(184)	(184)
Impairment		(48,498)		(4,551)		-	(53,049)
	\$	1,241	\$	388	\$	11,834	\$ 13,463

# Kincora Copper Limited

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## Notes to the Interim Condensed Consolidated Financial Statements For the nine-month periods ended September 30, 2023 and 2022

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### 6. Exploration and Evaluation Assets – *continued*

#### *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 indirectly holds title to the Bronze Fox copper/gold project in Mongolia.

Following the issuance of the Bronze Fox mining license approximately 85% of the eastern Bronze Fox license was relinquished as part of the conversion of the exploration to mining license. Following a detailed review of historical acquisition and expenditure relating to the eastern Bronze Fox license an impairment has been undertaken to reflect:

- the pro-rata amount of the capitalised acquisition costs for the eastern license; and,
- for the capitalised specific exploration costs for activities undertaken on ground no longer retained.

The review has resulted in a write down of \$29,713,000 in 2020 relating to the area that has been relinquished.

Such a methodology is consistent with the Company's standard review process as per the prior ground held and relinquished in Mongolia (or any other jurisdiction).

During the year ended December 31, 2020, the Company recorded total impairment loss of \$30,455,000 relating to the write-off of exploration license, which includes \$742,000 write-off of the carrying value relating to the merger with IBEX subsidiaries in 2016.

During the year ended December 31, 2021, the Company assessed the property for impairment in relation to the acquisition and joint venture agreement entered by the Company with Resilience Mining Mongolia Pty. Ltd. ("RMM") on June 30, 2021, and recorded an impairment loss of \$18,043,000.

#### *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"). 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). The Company retains the full regional exploration dataset across the IBEX portfolio and various infrastructure associated with the merger, including the White Pearl camp in the Southern Gobi, but as of December 31, 2019, all of the mineral exploration licenses associated with the IBEX transaction that are no longer being explored by the Company, which have been relinquished back to the Mongolian Government, were written down by \$3,185,000.

During the year ended December 31, 2020, the Company recorded an impairment loss of \$212,000 relating to the write-off of exploration license.

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### 6. Exploration and Evaluation Assets – continued

#### *Exploration and evaluation assets – Mongolia – Golden Grouse - continued*

During the year ended December 31, 2021, the Company assessed the property for impairment in relation to the acquisition and joint venture agreement entered by the Company with RMM on June 30, 2021, and recorded an impairment loss of \$1,154,000.

In June 2023, Kincora advised that following the receipt of several unsolicited enquiries that the Company had commencement an externally lead strategic review process for the Mongolian asset and license portfolio with the view of maximising shareholder value and streamlining focus toward the core NSW project portfolio. This review has been recently and successfully concluded (post quarter end) resulting in a confidential and incomplete offer that includes the receipt of a non-refundable deposit to enable final due diligence and definitive legal agreements.

#### *Impairment of evaluation and exploration assets – Mongolia*

On June 30, 2021, the Company entered into a definitive acquisition and joint venture agreement with RMM in connection with the binding term sheet entered into by the parties on December 12, 2020. Pursuant to the agreement, RMM would acquire 80 percent interest in the Company's subsidiary, KGL which owns Nadmin and Golden Grouse ("Mongolian subsidiaries"), by granting an equity interest of 9.9 percent in RMM upon successful admission to the ASX and having raised a minimum of A\$5,000,000 in new equity to the Company's subsidiary, BSG II. Through a share purchase agreement, Kincora will also retain an effective carried asset level interest in the Mongolian subsidiaries until certain material project level milestones.

As consideration for an exclusivity period granted by the Company, RMM agreed to pay A\$20,000 for a two-month period ended January 31, 2021, and an additional A\$15,000 per month from February 1, 2021 until the earlier of completion or termination of the agreement. As of September 30, 2023, a total of \$198,000 (A\$215,000), 2021: 198,000 (A\$215,000) was received from RMM.

On July 8, 2022, the Company issued a notice to RMM notifying it of the failure of conditions under the existing joint venture agreement. The effect of the notice was that the joint venture agreement terminated and enables the Company to pursue other strategic options for the Mongolian asset portfolio with an externally lead strategic review (potential divestment) process commenced in June 2023.

The Company assessed the exploration and evaluation assets of KGL for impairment based on the estimated fair value less costs of disposal of the 80 percent ownership interest of KGL during the year ended December 31, 2021. The fair value of the 80 percent ownership interest was estimated based on the proposed Initial Public Offering ("IPO") price and share structure of RMM in the ASX Listing. The Company recognized an impairment loss of \$19,197,000 on the Mongolian properties, Bronze Fox and Golden Grouse, pro-rated based on the respective carrying amount of the properties.

#### *Exploration and evaluation assets – Australia – Direct pegging activity*

On November 21, 2019, the Company announced an application for a new exploration licence covering 762 km<sup>2</sup> named the Nyngan project located in the Lachlan fold belt ("LFB"), central New South Wales ("NSW"), Australia. On January 6, 2020, the Company's application was formally approved and exploration license EL8929 granted.

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### 6. Exploration and Evaluation Assets – continued

#### *Exploration and evaluation assets – Australia – Direct pegging activity – continued*

On January 30, 2020, an application for a second large new exploration licence was made directly to the NSW state for the Nevertire project, covering 382 km<sup>2</sup>. On April 14, 2020, the Company was successfully granted a new exploration licence (EL8960) for the Nevertire project.

On June 9, 2021, the Company announced an application for the Mulla gold copper porphyry project, covering 616km<sup>2</sup> to the south of the existing Nyngan license and adjacent to the Nevertire license. The Mulla license was awarded in the fourth quarter of 2021. The 100% owned Nyngan, Nevertire and Mulla projects cover an area in the Macquarie Arc of the Lachlan Fold Belt in NSW, Australia.

Further direct application for the Condobolin East, gold-base metals license was made during the fourth quarter of 2021, which has since been awarded.

#### *Exploration and evaluation assets – Australia – Joint Venture projects*

On January 30, 2020, the Company entered into a binding memorandum of understanding (“MoU”) and made a non-refundable option payment of A\$25,000 to RareX Limited (“RareX”) providing the exclusive right to acquire a 65% interest in six mineral leases and five projects in the LFB.

On March 19, 2020, the Company announced it had completed definitive agreements with RareX. The key commercial terms being:

- Issuing 4,983,333 (post a subsequent 3:1 share consolidation by the Company) common shares of the Company upon closing (post a subsequent 3:1 share consolidation by the Company), subject to a voluntary 12-month lockup and transfer of titles with the NSW regulator, resulting in RareX becoming a then 9.9% shareholder (issued on March 27, 2020);
- Payment of A\$150,000 in cash to RareX upon closing as follows:
  - A\$100,000 in cash consideration (paid on March 30, 2020); and,
  - A\$50,000 in cash as reimbursement to RareX for outstanding holding costs and licence renewals (paid on March 30, 2020).
- The Company acquiring a 65% interest in the respective licences, becoming operator and sole financier of all further exploration until a positive scoping study or Preliminary Economic Assessment (“PEA”). Upon completion of the PEA, the Company and RareX will form a joint venture with standard funding and dilution requirements and right of first refusal on transfers;
- RareX has the right to retain a 100% ownership in any licence that the Company may elect to drop or to not renew, for no consideration.

On July 27, 2023, the Company has executed a conditional agreement with RareX Limited (“RareX”) to acquire its carried 35% asset level interests in the Trundle, Fairholme, Jemalong, Cundumbul and Condobolin licenses. In consideration, the Company will issue 40m Chess Depositary Interests (“CDIs”), at a deemed price of C\$0.05 per CDI, and grant 1% NSR for the vended licenses to RareX (the “RareX Transaction”). This consideration is pending at the time of these accounts.

The RareX Transaction is subject to:

- shareholder approval proposed to be obtained at an Annual General and Special Meeting (“AGM”) to be convened in September, which was achieved September 26<sup>th</sup>, 2023;

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### 6. Exploration and Evaluation Assets – continued

#### *Exploration and evaluation assets – Australia – Joint Venture projects - continued*

- completion of the placement (described below) for an aggregate subscription amount of not less than 30 million CDIs (\$1.5m), which was achieved via the oversubscribed A\$2m private placement announced August 8<sup>th</sup>, 2023; and,
- the parties obtaining approvals required under the Mining Act 1992 (NSW), which was achieved subsequent to period end.

As part of the acquisition, the Company has completed an oversubscribed private placement to raise A\$2 million via the issuance of 40.6 million new CDIs at A\$0.05 per share (C\$0.045). This placement was closed on August 8, and includes a one (1) for two (2) free-attaching option exercisable at A\$0.075 (C\$0.065) and expiring 24-months from the issue.

The Company held security deposits of \$79,069 in relation to RareX claims as at September 30, 2023 (December 31, 2022: \$165,823).

During the year ended December 31, 2022, the Company utilised and received a NSW government grant of \$184,000 (A\$200,000) for the Fairholme project. During the nine-month period ended September 30, 2023, the Company received \$115,000 (A\$127,850) NSW government grants relating to completed drilling at the Nyngan and Trundle projects.

#### *Exploration and evaluation assets – Australia – Exploration Alliance Agreement*

On October 6, 2022, the Company announced the execution of an Exploration Alliance Agreement with Earth AI Pty. Ltd. (“Earth AI”) covering the Cundumbul project. Earth AI is a San Francisco (USA) headquartered

Key terms of the Exploration Alliance:

Artificial Intelligence (AI) company, with a field camp in Young (NSW), that has a vertically integrated metals exploration approach to targeting, testing and verifying discoveries that are required for the electric vehicle and renewable energy revolutions.

The Exploration Alliance allows for a co-funding model and joint technical committee, whereby Earth AI will have day-to-day management and control of exploration activities, and contribute up to A\$4.5m of total exploration expenditure across the project over a two-year period with an option to extend for a further year.

Subject to a minimum of 1500 metres of diamond drilling and a Qualifying Drilling Intersection resulting in a new discovery (as defined within the Exploration Alliance Agreement), Earth AI is entitled to a net smelter return royalty (Royalty) of up to 3% in connection with a to be agreed upon area surrounding the discovery (Area of Interest, size dependent on the extent of the newly discovered mineral system).

Kincora is under no obligation to explore, develop or mine the Cundumbul project during the period of the Exploration Alliance. However, upon Earth AI successfully drilling a Qualifying Drilling Intersection and having carried out a minimum of 1,500 metres of diamond drilling, whereafter the second anniversary of the Royalty Trigger Date if no mineral resource has been defined and the annual exploration expenditure in the Area of Interest falls below US\$250,000, Earth AI will have the option to assume operational control and buy all of the Royalty Tenements that overlap with the Area of Interest under the Royalty Deed, for a cash purchase price equal to US\$1,000,000 plus a 2% net smelter.

The Agreement will not affect the capital structure of the Company or ownership in the project.

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### 7. Share Capital

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

The Company consolidated its capital on the basis of three existing shares for one new share effective January 8, 2021. All shares figures and references have been retroactively adjusted to reflect the share consolidation.

*Share issuances:*

- a) On August 8, 2023, the Company closed a Non-Brokered Placement and issued 40,600,000 new CDIs at a price of \$0.045 (A\$0.05) per CDI for gross proceeds of \$1,784,167 (A\$2,030,000). The Non-Brokered Placement includes a one (1) for two (2) free-attaching option exercisable at A\$0.075 (C\$0.065) and expiring 24-months from the issue ("Attaching Options"). Associated with the raising, 7,500,000 unquoted options were issued at an exercise price of A\$0.075 (C\$0.065) and expiring 24-months from the issue ("Broker Options") and cash fee of \$94,037 was incurred.
- b) On March 6, 2023, the Company issued 15,132,794 shares at \$0.05 (A\$0.055) per share for gross proceeds of \$756,640 (A\$832,304) from the second tranche of the December 2022 private placement. The Company incurred share issuance costs of \$32,657.
- c) During the year ended December 31, 2022, the Company arranged a private placement of up to A\$2,400,000 at a price of A\$0.055. On December 15, 2022, the Company issued 28,503,570 shares at \$0.05 (A\$0.055) per share for gross proceeds of \$1,422,684 (A\$1,567,696), in the first tranche of the capital raising. The Company incurred share issuance costs of \$92,980.
- d) On May 17, 2022, the Company issued 2,225,151 shares with a fair value of \$363,000 to certain directors, officers and service providers for services rendered in 2021.

*Obligation to issue shares:*

In consideration of Kincora acquiring RareX's carried 35% asset level interests in the Trundle, Fairholme, Jemalong, Cundumbul and Condobolin licenses, the Company will issue 40.6m Chess Depositary Interests ("CDIs") and grant 1% NSR for the vended licenses to RareX (the "RareX Transaction").

The Company has a share for services plan approved in 2019. Pursuant to the plan, the Company provides compensation to directors and officers in both shares and cash. The portion of compensation that will be paid by shares are recorded in obligation to issue shares and will be transferred to share capital upon issuance of the shares. During the nine-month period ended September 30, 2023, the Company accrued fees of \$119,250 (2022: \$79,500) to its officers and directors. As at September 30, 2023, the Company has a balance owing of \$320,600 (December 31, 2022: \$235,683), with \$314,350 (December 31, 2022: \$195,100) recorded in obligation to issue shares and the remaining in accounts payable.

*Stock options:*

The Company has an equity incentive plan in place under which it is authorized to grant options or performance rights to executive officers and directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company, and the amount approved for the purposes of the ASX rules, being up to 7,000,000 performance rights. 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.

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### 7. Share Capital – continued

#### Stock options: – continued

On January 8, 2021, the Company granted 2,004,506 options with a three-year term to certain directors, officers, employees and consultants of the Company, which are exercisable at \$0.445 per share within the first two-year period and \$0.48 per share in the final third year. The total fair value of the options granted and vested was determined to be \$393,392.

On March 26, 2021, the Company recorded an obligation to issue 10,000,000 stock options as share issuance cost for the successfully completed initial public offering on the ASX of \$9,620,000 (A\$10,000,000) that closed during the year ended December 31, 2021. Each option is exercisable at \$0.29 (A\$0.30) per share for a period of three years. The fair value of the options was determined to be \$1,700,078. The options were issued during the year ended December 31, 2022 and are not exercised as at September 30, 2023.

On October 1, 2021, the Company announced Board approvals of a new Equity Incentive Plan (“EIP”) and issuance of stock options. Under the EIP, the Company granted 7,580,575 options with a 2.5-year term to certain directors, officers, employees and consultants of the Company, which are exercisable at \$0.18 (A\$0.20) per share within the first 18-month period and \$0.28 (A\$0.30) per share after 18 months. The total fair value of the options granted and vested was determined to be \$631,739.

On August 8, 2023, the Company issued 20,300,000 free-attaching options pursuant to the private placement that closed in August 2023. Each option has an exercise price of C\$0.065 (A\$0.075) and expires 24 months from the date of issue. The fair value of the options was determined to be \$Nil using the residual method. The Company issued 7,500,000 broker options as share issuance cost. Each option has an exercise price of C\$0.065 (A\$0.075). The fair value of the broker options was \$160,341, determined using the Black-Scholes Option Pricing Model.

During the nine-month period ended September 30, 2023, \$Nil (2022: \$6,940) of share-based payment was reallocated from prepaid expenses to statement of loss and comprehensive loss.

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

	October 1, 2021	March 26, 2021	January 8, 2021
Expected dividend yield	0%	0%	0%
Expected stock price volatility	136.19%	136.49	125.36%
Risk free rate	0.50%	0.23%	0.18%
Forfeiture rate	0%	0%	0%
Expected life of options	2.5 years	3 years	3 years



# Kincora Copper Limited

(An Exploration Stage Company)

## Notes to the Interim Condensed Consolidated Financial Statements For the nine-month periods ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

### 7. Share Capital – continued

Stock options: – continued

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

	Number of options	Weighted average exercise price
<b>Balance outstanding – December 31, 2021</b>	<b>11,671,090</b>	<b>\$0.36</b>
Granted	10,000,000	0.29
Expired	(11,666)	0.26
Expired	(118,810)	0.33
Expired	(1,090,728)	0.75
<b>Balance outstanding – December 31, 2022</b>	<b>20,449,886</b>	<b>0.31</b>
Granted	27,800,000	0.07
Expired	(745,995)	0.26
Expired	(118,810)	0.75
<b>Balance outstanding – September 30, 2023</b>	<b>47,385,081</b>	<b>\$0.16</b>

The weighted average life of the stock options is 1.29 year.

The weighted average price for options granted during the nine-month period ended September 30, 2023 was \$0.07 (2022 - \$0.29).

As at September 30, 2023, the following stock options are outstanding and exercisable:

Number	Price per share	Expiry date	Options exercisable
2,004,506	\$0.48	January 8, 2024	2,004,506
10,000,000	\$0.29	March 29, 2024	10,000,000
7,580,575	\$0.28	March 31, 2024	7,580,575
20,300,000	\$0.07	August 8, 2025	20,300,000
7,500,000	\$0.07	August 8, 2025	7,500,000
<b>47,385,081</b>	<b>\$0.16</b>		<b>47,385,081</b>

As at the time of writing the total number of options outstanding is 47,385,081 with a weighted average strike price of \$0.16.

Warrants:

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

	Number of warrants	Weighted average exercise price
<b>Balance – December 31, 2021</b>	<b>17,763,962</b>	<b>0.75</b>
Expired	(17,763,962)	0.75
<b>Balance – December 31, 2022 and September 30, 2023</b>	<b>-</b>	<b>\$ -</b>

As of September 30, 2023, the Company has Nil outstanding and exercisable warrants. During the year ended December 31, 2022, 17,763,962 warrants expired unexercised.

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### 7. Share Capital – continued

#### Performance rights:

In December 2021, the Company granted 5,520,449 performance rights to certain directors and officers of the Company, pursuant to the Company's new EIP. 4,535,385 of the performance rights are vesting two years from the issue date, 454,154 performance rights are vesting one year from the issue date, and 530,910 performance rights are vesting 1/3 each of the calendar years ended 2021, 2022, and 2023. During the nine-month period ended September 30, 2023, the Company recorded share-based compensation of \$107,994 (2022 - \$485,280) for the performance rights vested.

#### 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.

Exchange gains and losses arising from translation of foreign currency denominated transactions are included in foreign currency translation reserve.

### 8. Segmented Information

The Company operates in two operating segments being the acquisition and exploration of exploration and evaluation assets in Mongolia and Australia. The Company's head office is located in Canada, and all of the Company's non-current assets are located in Mongolia and Australia as follows.

<i>In thousand \$</i>	Mongolia		Australia		Total
<b>Balance at September 30, 2023</b>					
Mineral properties	\$	1,882	\$	13,125	\$ 15,007
Equipment	\$	92	\$	-	\$ 92
<i>In thousand \$</i>	Mongolia		Australia		Total
<b>Balance at December 31, 2022</b>					
Mineral properties	\$	1,629	\$	11,834	\$ 13,463
Equipment	\$	77	\$	-	\$ 77

### 9. Related Party Transactions

The Company incurred the following amounts for related party services:

- During the nine-month period ended September 30, 2023, the Company incurred \$55,350 (2022 - \$55,350) to a company with an officer in common for management and accounting services.
- During the nine-month period ended September 30, 2023, the Company incurred \$165,000 (2022 - \$165,000) to an officer and a company with an officer in common for management services.

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### 9. Related Party Transactions – continued

- c) During the nine-month period ended September 30, 2023, the Company incurred director's fees of \$124,500 (2022 - \$142,500) to current directors.
- d) During the nine-month period ended September 30, 2023, the Company incurred consulting fees of \$15,000 (2022 - \$15,000) to a director of the Company.
- e) At September 30, 2023, the Company owed \$187,319 (December 31, 2022 - \$267,330) in accrued directors' fees and management and accounting fees in accounts payable and obligation to issue shares.
- f) During the nine-month period ended September 30, 2022, the Company issued 1,765,408 common shares to settle \$288,000 payables owing to officers and directors of the Company.

#### Compensation of key management personnel

<i>In thousand \$</i>	<b>September 30, 2023</b>	September 30, 2022
Management, chairman, directors, and audit committee fees	\$ <b>360</b>	\$ 378
Share-based payments	<b>108</b>	465
	\$ <b>468</b>	\$ 843

### 10. Supplemental Disclosures of Cash Flow Information

Supplemental Disclosure of Non-Cash Financing and Investing Activities include ('000):	<b>September 30, 2023</b>	September 30, 2022
Amortization capitalized to exploration and evaluation assets	\$ <b>56</b>	\$ 59
Shares issued in settlement of debt or services	\$ <b>-</b>	\$ 363

  

Supplemental Disclosure of Cash and Cash Equivalents ('000):	<b>September 30, 2023</b>	September 30, 2022
Cash at bank	\$ <b>1,783</b>	\$ 1,188

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## Notes to the Interim Condensed Consolidated Financial Statements For the nine-month periods ended September 30, 2023 and 2022

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### 11. Equipment

Net carrying costs at September 30, 2023 and 2022 are as follows ('000):

		Computers		Exploration Equipment		Total
<b>Cost</b>						
Balance as at December 31, 2021	\$	25	\$	1,176	\$	1,201
Additions		-		67		67
Balance as at December 31, 2022		25		1,243		1,268
Additions		-		71		71
<b>Balance as at September 30, 2023</b>	<b>\$</b>	<b>25</b>	<b>\$</b>	<b>1,314</b>	<b>\$</b>	<b>1,339</b>
<b>Accumulated amortization and impairment</b>						
Balance as at December 31, 2021	\$	(25)	\$	(1,100)	\$	(1,125)
Amortization		-		(66)		(66)
Balance as at December 31, 2022		(25)		(1,166)		(1,191)
Additions		-		(56)		(56)
<b>Balance as at September 30, 2023</b>	<b>\$</b>	<b>(25)</b>	<b>\$</b>	<b>(1,222)</b>	<b>\$</b>	<b>(1,247)</b>
<b>Net book value</b>						
At December 31, 2022	\$	-	\$	77	\$	77
<b>At September 30, 2023</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>92</b>	<b>\$</b>	<b>92</b>

### 12. 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 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.

#### Mongolia

During the year ended December 31, 2021, Golden Grouse received a tax act for \$2.7 billion Tugriks (MNT), approximately \$1 million (US\$800,000) from the Mongolian Tax Authority ("MTA").

The 2021 tax assessment comprises four items, of which the Company strongly refutes the merit of three including the very vast majority of the liability sought relating to a retrospective tax assessment of the 2016 merger with IBEX (the agreed liability owed is 16.2 million MNT or approximately \$5,700 (U.S.)).

The 2016 IBEX merger required a prior tax assessment, which followed an audit of the IBEX entity's prior-year periods and the on-shore and off-shore agreements to the merger (IBEX and parent entities). The 2016 tax assessment was paid and relied upon by Mongolian government departments to facilitate the merger and was a condition precedent to close the merger with any adverse liability enabling both counterparties to withdraw from the merger (Note 6). In the Company's view, supported by four independent external legal opinions, the 2021 tax assessment's retrospective liability is not in line with the 2016 tax assessment and

# Kincora Copper Limited

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### 12. Contingencies – continued

Mongolian law, and there is no basis for a different determination.

Since 2021, the Company has pursued defending the 2016 tax ruling, paid a \$52,000 (MNT \$100 million) security deposit (materially more than the agreed liability owed of 16.2 million MNT) to facilitate this legal defence and objection to the 2021 tax act via the Mongolian administrative courts.

In March 2023, Kincora applied to the Mongolian Administrative Chamber for the dispute to receive a hearing at the Supreme Court, which is the last legal defence step available under the Mongolian judicial system having undertaken two prior court hearings and the Mongolian Tax Dispute Counsel failing to hear the required case. This application was accepted and follows the last Appeal Court ruling (in January 2023) being outside of the litigants' appeal and counter-arguments, overturned a prior First Instance Administrative Court ruling that referred the reassessed tax act back to the MTA (with annulment occurring in 3 months should the MTA take no action), and preceded in a timeframe far too short to consider the merits of the reassessed Tax Act.

In May 2023, the Supreme Court hearing occurred with the dispute returned to the First Instance Administrative Court with a review ongoing of the reassessment by a panel of independent experts.

In June 2023, Kincora advised that following the receipt of several unsolicited enquiries that the Company had commencement an externally lead strategic review process for the Mongolian asset and license portfolio with the view of maximising shareholder value and streamlining focus toward the core NSW project portfolio.

The externally led review has been successfully concluded resulting in a confidential and incomplete offer that includes the receipt of a non-refundable deposit to enable final due diligence and definitive legal agreements. The offer contemplates an part cash, part scrip divestment of Kincora's wholly owned Mongolian porphyry projects and subsidiaries (including the ongoing tax dispute) with share consideration providing the Company and its shareholders upside on exploration success from planned 2024 drilling programs.

#### **Brazil**

Brazilian Diamonds, a former name of the Company, in 2001 to 2005, via the Brazilian subsidiary Samsul, held certain mineral rights, and some of these rights were the focus of alluvial diamond operations undertaken by an assignor in the State of Goias. In 2015, a lawsuit was filed by state and federal prosecutors seeking indemnification from certain defendants (including but not limited to Samsul and the assignor) in the amount of \$126,000 (BRL \$492,840), equivalent to seventy (70) carats of diamonds and 9000M3 of gravel. The case is with the lower courts in Brazil and the timing for hearing is undeterminable as at audit report date. The Company does not believe there is merit in this case.

### 13. Subsequent event(s)

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

### 14. Proposed Transactions

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