Kincora Copper Limited

(An Exploration Stage Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

For the three-month periods ended March 31, 2020 and 2019

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

Statement 1

(An Exploration Stage Company)

Interim Condensed Consolidated Statements of Financial Position

As at

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

		March 31, 2020		December 31, 2019
		(Unaudited)		(Audited)
ASSETS				
Current				
Cash and cash equivalents	**$**	**2,899**	$	2,903
Receivables, prepaids and deposits (Note 7)		**86**		786
		2,985		3,689
Equipment (Note 11)		**132**		163
Exploration and evaluation assets (Note 6)		**51,472**		50,439
	$	**54,589**	$	54,291
LIABILITIES				
Current				
Accounts payable (Note 9)	**$**	**893**	$	799
Accrued liabilities		**-**		25
		893		824
SHAREHOLDERS' EQUITY				
Share capital (Note 7)		**173,000**		172,402
Share-based payment reserve (Note 7)		**10,679**		10,667
Deficit		**(129,983)**		(129,602)
		53,696		53,467
	$	**54,589**	$	54,291

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 12)
Subsequent Events (Note 13)

*Approved and authorized by the Board of Directors on ~~May~~ *May 29, 2020*

"Ray Nadarajah"	*"Sam Spring"*
Ray Nadarajah	Sam Spring
Director	Director

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 Loss and Comprehensive Loss
For the three-month periods ended March 31,

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

		2020		2019
Expenses				
Consultants	$	**36**	$	28
Consultants – Geologists (Note 9)		**26**		18
Consultants – Technical		**22**		40
Corporate administrative and office services (Note 9)		**34**		48
Directors and audit committee fees (Note 9)		**61**		37
Exploration costs		**16**		-
Foreign exchange loss (gain)		**(26)**		6
Insurance		**3**		3
Investor relations		**43**		20
Legal and accounting		**78**		26
Management fees (Note 9)		**75**		71
Share-based compensation (Notes 7 and 9)		**12**		-
Transfer agent and filing fees		**22**		19
Travel		**24**		24
		(426)		(340)
Other item				
Gain on settlement of debt (Note 7)		**45**		25
Loss and comprehensive loss for the period	**$**	**(381)**	$	(315)
Loss per share – basic and diluted	**$**	**(0.00)**	$	(0.00)
Weighted average number of common shares outstanding (*000's*)		**136,126**		70,947

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 three-month periods ended March 31,

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

(Unaudited - Prepared by Management)

Cash provided by (used in):		**2020**		2019
Operating activities				
Loss for the period:	**$**	**(381)**	$	(315)
Items not affected by cash:				
Amortization		**-**		22
Gain on settlement of debt		**(45)**		(25)
Share-based compensation		**12**		-
Changes in non-cash working capital items:				
Receivables, prepaids and deposits		**700**		16
Accounts payable and accrued liabilities		**114**		117
Net cash provided by (used in) operating activities		**400**		(185)
Investing activities				
Acquisition of equipment		**(21)**		(21)
Exploration and evaluation asset expenditures		**(383)**		(155)
Net cash used in investing activities		**(404)**		(176)
Change in cash and cash equivalents		**(4)**		(361)
Cash and cash equivalents – beginning of period		**2,903**		937
Cash and cash equivalents – end of period	**$**	**2,899**	$	576

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

Statement 4

(An Exploration Stage Company)

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
For the three-month periods ended March 31, 2020 and 2019

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

	Share capital (Number of shares)	Share capital $	Share-based payment reserve $	Deficit $	Total $
Balance, December 31, 2018	70,091,059	166,464	9,892	(124,646)	51,710
Shares issued for settlement of debt	1,348,789	157	-	-	157
Loss for the period	-	-	-	(315)	(315)
Balance, March 31, 2019	**71,439,848**	**166,621**	**9,892**	**(124,961)**	**51,552**
Balance, December 31, 2019	135,461,827	172,402	10,667	(129,602)	53,467
Shares issued for exploration and evaluation assets	14,950,000	598	-	-	598
Share-based compensation	-	-	12	-	12
Loss for the period	-	-	-	(381)	(381)
Balance, March 31, 2020	**150,411,827**	**173,000**	**10,679**	**(129,983)**	**53,696**

(See Note 7)

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

1. Nature of Operations and Going Concern

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

The head office of the Company is located at Suite #400 - 837 West Hastings Street, Vancouver, British Columbia V6C 3N6 and the registered address and records office is located at 25th Floor, 700 West Georgia Street, Vancouver, British Columbia, 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 March 31, 2020, the Company has an accumulated deficit of $129,983,000, a net loss for the three-month period ended March 31, 2020 of $381,000 and has working capital of $2,092,000. 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.

Kincora on a daily basis since late January 2020 has been closely monitoring the development of the novel coronavirus (COVID-19) and its spread globally.
Preventative measures have been taken to modify how we conduct our business, to protect our staff, contractors and the communities we operate in. These measures include international and domestic travel restrictions, remote work and supplemental health care, particularly for our Ulaanbaatar based staff and for the drilling program commenced at the Trundle project in Central West NSW.
Health and safety considerations, and appropriate risk assessments, continue to dictate various project generation functions, exploration and marketing activities. In Mongolia, Canada and Australia we will continue to pay close attention to the rapidly changing landscapes we face and the measures mandated by the National and State provincial governments.. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2020.

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.

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").

2. Basis of Preparation – *continued*

Statement of Compliance – continued

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 consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2019 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 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 the planned exploration budgets and drill results of exploration programs;
- The inputs used in accounting for share-based compensation expense included in profit or loss calculated using the Black-Scholes Option Pricing Model;
- The valuations of shares issued in non-cash transactions using the quoted share price as the fair value-based measurement on the date the shares are issued for the transaction; and
- The recognition of deferred tax assets based on the change in unrecognized deductible temporary tax differences.

3. Significant Accounting Policies

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Kincora Group Ltd ("KGL"), Nadmin LLC ("Nadmin"), Golden Grouse LLC ("Golden Grouse"), BSG Investments Inc. ("BSGII"), Game Creek Company Limited ("Game Creek"), Samsul Mineração Ltda. ("Samsul") and Kincora Copper Australia Pty Ltd. 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. Kincora Copper Australia Pty Ltd was incorporated in Australia in 2019.

3. Significant Accounting Policies – *continued*

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.

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.

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

d) Exploration and evaluation assets – *continued*

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

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

e) Loss per share

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

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

3. Significant Accounting Policies – *continued*

g) Income taxes – *continued*

taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

h) Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries for the three-month period ended March 31, 2020 and the year ended December 31, 2019 is the Canadian Dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates* ("IAS 21"). The 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.

i) Provision for environmental rehabilitation

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

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes would be recorded directly to exploration and evaluation assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, would be charged to profit or loss for the period. At March 31, 2020 and December 31, 2019, the Company had no provisions for environmental rehabilitation.

3. Significant Accounting Policies – *continued*

j) Impairment of assets

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

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

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

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

k) Financial Instruments

<u>Classification</u>

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.

Financial assets/liabilities	**Classification**
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

3. Significant Accounting Policies – *continued*

k) Financial Instruments – *continued*

<u>Measurement</u>

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 comprehensive loss in the period in which they arise.

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

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

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

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

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

<u>Impairment of financial assets at amortized cost</u>

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

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset'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.

3. Significant Accounting Policies – *continued*

k) Financial Instruments – *continued*

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 comprehensive loss.

l) Change in accounting policies – Leases

The Company adopted IFRS 16 which sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The adoption did not result in any impact on the financial statements as the Company did not have any lease during the periods presented.

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.

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.

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 Australia is subject to the valuation of the Australian dollar, and the 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 current risk, primarily seeking to retain funds in Canada wiring funds as and when needed to foreign subsidiaries to met operating expenditures, and believes this risk to be minimal.

5. Management of Financial Risk – *continued*

Credit risk

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

Liquidity risk

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

As at March 31, 2020, the Company had a cash balance of $2,899,000 (December 31, 2019 - $2,903,000) to settle current liabilities of $893,000 (December 31, 2019 - $824,000).

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.

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 three-month period ended March 31, 2020 (000's)

	Bronze Fox	Golden Grouse	Macquarie Arc	Total
Acquisition costs				
Acquisition & maintenance	$ -	$ -	$ **773**	$ **773**
Total current acquisition costs	$ -	$ -	$ 773	$ **773**
Exploration costs				
Amortization	$ 28	$ 24	$ -	$ **52**
Camp	-	1	-	**1**
Geological/geophysics	-	-	6	**6**
License/fees/taxes	2	2	-	**4**
Rental/utilities	-	5	-	**5**
Salaries/labor	25	49	-	**74**
Sampling	115	-	-	**115**
Transportation/travel	-	2	1	**3**
Total current exploration costs	$ 170	$ 83	$ 7	$ **260**
Total costs incurred during the period	$ 170	$ 83	$ 780	$ **1,033**
Balance, opening	49,291	1,148	-	**50,439**
Balance, ending	$ 49,461	$ 1,231	$ 780	$ **51,472**
Cumulative costs:				
Acquisition	$ 36,624	$ 1,094	$ 773	$ **38,491**
Exploration	12,837	3,322	7	**16,166**
Impairment	-	(3,185)	-	**(3,185)**
	$ 49,461	$ 1,231	$ 780	$ **51,472**

6. Exploration and Evaluation Assets – *continued*

For the year ended December 31, 2019 (000's)

		Bronze Fox		Golden Grouse		Badrakh		Total
Acquisition costs								
Acquisition & maintenance	$	-	$	-	$	-	$	**-**
Total current acquisition costs	$	-	$	-	$	-	$	**-**
Exploration costs								
Amortization	$	121	$	97	$	2	$	**220**
Assaying		28		26		7		**61**
Camp		35		41		7		**83**
Drilling		321		562		204		**1,087**
Fuel		-		10		7		**17**
Geological/geophysics		1		-		-		**1**
License/fees/taxes		-		13		-		**13**
Rental/utilities		4		42		9		**55**
Salaries/labor		108		239		44		**391**
Sampling		85		-		-		**85**
Supplies/safety gear		7		13		9		**29**
Transportation/travel		6		17		5		**28**
Total current exploration costs	$	716	$	1,060	$	294	$	**2,070**
Total costs incurred during the year	$	716	$	1,060	$	294	$	**2,070**
Balance, opening		48,575		2,611		-		**51,186**
Impairment		-		(2,523)		(294)		**(2,817)**
Balance, ending	$	49,291	$	1,148	$	-	$	**50,439**
Cumulative costs:								
Acquisition	$	36,624	$	1,094	$	-	$	**37,718**
Exploration		12,667		3,239		294		**16,200**
Impairment		-		(3,185)		(294)		**(3,479)**
	$	49,291	$	1,148	$	-	$	**50,439**

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.

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.

6. Exploration and Evaluation Assets – *continued*

Exploration and evaluation assets – Mongolia – Golden Grouse - continued

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). As of December 31, 2019, all of the mineral exploration license associated with the IBEX transaction that are no longer being explored by the Company have been written down for a total of $3,185,000.

Exploration and evaluation assets – Mongolia – Badrakh

On November 11, 2019, the Company entered an agreement with Temuulen Orshikh LLC ("Temuulen"), a privately held Mongolian company that owns 100% of the Badrakh project, that subject to final due diligence and definitive documentation, supports binding commercial terms.

The Company has a staged pathway to earn up to 80% shareholding interest in the project.

Key milestones include:
1. Option period: The Company will spend $250,000 (U.S.) by June 30, 2020, to hold an option to earn-in to the Badrakh project, including the Company committing to drill two holes in the 2019 field season.
2. Stage 1: The Company will spend up to $2,000,000 (U.S.) within a two-year period (after the option period) to earn a 51% interest in the Badrakh project.
3. Stage 2: The Company will spend up to $4,000,000 (U.S.) within three years (after stage 1) to earn a further 29% interest in the Badrakh project for total interest of 80%, with ownership increments of 14.5% for every $2,000,000 (U.S.) in financing.

Following the receipt of all exploration results and technical review, the Company notified Temuulen that it will not further pursue the project, and wrote off all its capitalized exploration costs of $294,000.

Exploration and evaluation assets – Australia – Nyngan and Nevertire

On November 21, 2019, the Company has been granted new exploration licence covering 762 km^2 named the Nyngan project located in the Lachlan fold belt (LFB), central New South Wales (NSW), Australia. On January 6, 2020, the Company's license application for its Nyngan project was formally approved, and the Company was granted with exploration license EL8929.

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^2. Subsequent to the period ended March 31, 2020, the Company was successfully granted a new exploration licence (EL8960) for the Nevertire project.

Exploration and evaluation assets – Australia – Macquarie Arc

On January 30, 2020, the Company entered into a binding memorandum of understanding (MoU) and made a non-refundable option payment of $25,000 to RareX Limited ("RareX") providing the exclusive right to acquire a 65% interest in six mineral leases and five projects covering 587km2 in the LFB.

6. Exploration and Evaluation Assets – *continued*

Exploration and evaluation assets – Australia – Macquarie Arc - continued

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

- Issuing 14,950,000 common shares of the Company upon closing, subject to a voluntary 12-month lockup, resulting in RareX becoming a 9.9% shareholder (issued on March 27, 2020) (Note 7);
- Payment of $150,000 in cash to RareX upon closing as follows:
    - $100,000 in cash consideration (paid on March 30, 2020); and,
    - $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 financer 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;
- The Company is committed to maintain the full licence portfolio in good standing for a period of 12 months and RareX shall have the right to retain a 100% ownership in any licence that the Company may elect to drop or to not renew, for no consideration;
- The Company obtained the approval from the TSXV on February 19, 2020.

The Company has a controlling interest across a 1,732 km^2 land position in the key belts of the Macquarie Arc, with confirmed strategic appeal and pipeline of targets being systematically advanced. This includes the flagship Trundle project, the only brownfield porphyry project held by a listed junior in the LFB.

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7. Share Capital and Contributed Surplus

Authorized share capital: Unlimited Common shares without par value.

Share issuances:

a) On January 9, 2019, the Company issued 561,289 shares with a fair value of $61,742 to certain directors, officers and service providers on account of services rendered to the Company in the amount of $87,000, resulting in a gain on debt settlement of $25,258.

b) On February 20, 2019, the Company issued 787,500 shares to certain directors, officers and service providers on account of services of $94,500.

c) On June 11, 2019, the Company closed ad private placement ("Offering"*)* for gross proceeds of $6,251,500 through the issuance of 62,515,000 units at a price of $0.10 per unit. Each unit is composed of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share at an exercise price of $0.25 per warrant share for a period of two years from the date of closing of the private placement. The Company paid finders' fees of $170,374 in connection with this private placement.

7. Share Capital and Contributed Surplus – *continued*

Share issuances: – continued

The Company announced New Prospect Capital Management ("*New Prospect*"), on behalf of a special purpose managed vehicle, Century Development Ltd. ("*Century*"), via the placement became the Company's second largest shareholder. New Prospect secured an approximate 12% stake in the Company and has the right to a board seat.

The TSXV also required that the subscription for 16,000,000 units by Century to be closed in trust pending clearance of a PIF submitted by a designated representative of Century. This condition was the result of Century becoming an "*insider*" of the Company (as defined under TSXV policies) on closing of the Offering. Prior to year end, the units were released to Century.

As at December 31, 2019, 62,515,000 units were issued related to this private placement for gross proceeds of $6,251,500.

Included in receivables, prepaids and deposits as at December 31, 2019 was a receivable of $601,111 due from the trust account of a former legal counsel of the Company. The amount was held in conjunction with the private placement and was received during the period ended March 31, 2020 by the Company. The Company recorded gain on debt settlement of $45,180 relating to payables forgiven by the Company's former legal counsel.

d) On August 7, 2019, following shareholder approvals at the September 2019 annual general meeting, the Company issued 1,037,376 bonus shares to the Company's president and CEO in consideration of services rendered over 24 months in the amount of $124,485.

e) On October 29, 2019, the Company issued 469,603 shares with a fair value of $32,872 to service providers on account of services rendered to the Company in the amount of $43,500, resulting in a gain on debt settlement of $10,628.

f) On March 27, 2020, the Company issued 14,950,000 shares with a fair value of $598,000 to RareX as part of the consideration to acquire a 65% interest in six mineral leases and five projects covering 587km^2 in the LFB (Note 6).

Stock options:

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

On September 27, 2019, the Company granted to directors, officers and employees a total of 9,817,085 stock options under the Company's stock option plan. 6,544,885 have a two-year term from issuance date exercisable at a price of $0.11 per share, vesting over a four-month period from the grant date. 3,272,200 have a three-year term from issuance date exercisable at a price of $0.25 per share, vesting over a four-month

(Expressed in Canadian Dollars)

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

Stock options: – continued

period post the Company receiving the shareholder approvals required by the TSXV on August 2, 2019. The fair value of the options granted was determined to be $329,835.

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

	September 27, 2019	September 27, 2019
Expected dividend yield	0%	0%
Expected stock price volatility	113%	115%
Risk free rate	1.51%	1.57%
Forfeiture rate	0%	0%
Expected life of options	3 years	2 years

During the three-month period ended March 31, 2020, the Company recorded share-based compensation of $12,000 (2019 - $Nil) for the options vested.

During the year ended December 31, 2019, a total of 1,091,804 options (2018: 3,571,046) expired unexercised.
A summary of the Company's stock option transactions is as follows:

	Number of options	Weighted average exercise price
Balance outstanding – December 31, 2018	**3,578,380**	**$0.42**
Granted	6,544,885	0.11
Granted	3,272,200	0.25
Expired	(1,091,804)	0.45
Balance outstanding – December 31, 2019 and March 31, 2020	**12,303,661**	**$0.21**

The weighted average life of the stock options are 1.66 years.

As at March 31, 2020, the following stock options are outstanding and exercisable:

Number	Price per share	Expiry date	Options exercisable
600,021	$0.525	September 13, 2021	600,021
600,020	$0.375	September 13, 2021	600,020
393,268	$0.430	January 23, 2021	393,268
393,267	$0.540	January 23, 2021	393,267
250,000	$0.200	May 10, 2020*	250,000
125,000	$0.200	July 30, 2020	125,000
125,000	$0.200	August 9, 2020	125,000
6,544,885	$0.110	September 27, 2021	6,544,885
3,272,200	$0.250	September 27, 2022	3,272,200
12,303,661	**$0.208**		**12,303,661**

*Subsequent to three-month period ended March 31, 2020, the options expired unexercised.

(Expressed in Canadian Dollars)

7. Share Capital and Contributed Surplus – *continued*

Warrants:

On June 11, 2019, the Company issued 45,793,000 warrants with a fair value of $457,930 pursuant to a private placement. Each warrant entitles the holder to purchase a common share of the Company for a period of two years at $0.25 per warrant. The fair value was determined using the residual value method.

On August 2, 2019, the Company issued 16,722,000 warrants with a fair value of $Nil pursuant to a private placement. Each warrant entitles the holder to purchase a common share of the Company for a period of two years at $0.25 per warrant. The fair value was determined using the residual value method.

During the year ended December 31, 2019, a total of 8,976,799 warrants (2018: 3,312,993) expired unexercised.

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

	Number of warrants	Weighted average exercise price
Balance – December 31, 2018	**8,976,799**	**$0.445**
Issued	62,515,000	0.250
Expired	(8,976,799)	0.445
Balance – December 31, 2019 and March 31, 2020	**62,515,000**	**$0.250**

The weighted average life of the warrants is 1.24 years.

As of March 31, 2020, the following warrants are outstanding and exercisable:

Number	Price per share	Expiry date
45,793,000	$0.250	June 11, 2021
16,722,000	$0.250	August 2, 2021
62,515,000	**$0.250**	

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.

8. Segmented Information

The Company operates in two operating segments being the acquisition of and exploration for 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.

9. Related Party Transactions

The Company incurred the following amounts for related party services:

a) During the three-month period ended March 31, 2020, the Company incurred $9,000 (2019 - $6,150) to BridgeMark Financial Corp. and $9,450 (2019 - $12,300) to Regiis Oak Capital Corp., companies with an officer in common for management and accounting services.

b) During the three-month period ended March 31, 2020, the Company incurred $75,000 (2019 - $71,250) to companies with an officer in common for management services.

c) During the three-month period ended March 31, 2020, the Company incurred director's fees of $78,500 (2019 - $41,750) to current directors.

d) During the three-month period ended March 31, 2020, the Company incurred consulting fees of $5,000 (2019 - $17,000) to a director of the Company.

e) At March 31, 2020, the Company owed $297,074 (December 31, 2019 - $227,411) in accrued directors' fees in accounts payable.

f) During the three-month period ended March 31, 2019, the Company issued 683,467 common shares with a fair value of $79,306 to settle $91,500 payables owing to the officers and directors of the Company. No shares were issued to settle payables owing to officers and directors of the Company during the three-month period ended March 31, 2020.

Compensation of key management personnel

In thousand $		**March 31, 2020**		March 31, 2019
Management, chairman, directors and audit committee fees	**$**	**177**	$	148
Share-based payments*		**11**		-
	$	**188**	$	148

** The estimated fair value of the stock options vested during the period was determined using the Black-Scholes Option Pricing Model*

10. Supplemental Disclosure of Cash Flow Information

Supplemental Disclosure of Non-Cash Financing and Investing Activities include *('000):*		**March 31, 2020**		March 31, 2019
Amortization capitalized to exploration and evaluation assets	**$**	**52**	$	35
Shares issued in settlement of debt	**$**	**-**	$	157
Shares issued for exploration and evaluation assets	**$**	**598**	$	-

10. Supplemental Disclosure of Cash Flow Information – *continued*

Supplemental Disclosure of Cash and Cash Equivalents *('000):*		**March 31, 2020**		December 31, 2019
Cash at bank	**$**	**2,876**	$	2,880
Bank term deposit		**23**		23
	$	**2,899**	$	2,903

11. Equipment

Net carrying costs at March 31, 2020 and December 31, 2019 are as follows ('000):

		Computers		Exploration Equipment		Total
Cost						
Balance as at December 31, 2018	$	22	$	882	$	904
Additions		3		169		172
Balance as at December 31, 2019	$	25	$	1,051	$	1,076
Additions		-		21		21
Balance as at March 31, 2020	$	25	$	1,072	$	1,097
Accumulated amortization						
Balance as at December 31, 2018	$	(18)	$	(675)	$	(693)
Amortization		(4)		(216)		(220)
Balance as at December 31, 2019	$	(22)	$	(891)	$	(913)
Amortization		(1)		(51)		(52)
Balance as at March 31, 2020	$	(23)	$	(942)	$	(965)
Net book value						
At December 31, 2019	$	3	$	160	$	163
At March 31, 2020	**$**	**2**	**$**	**130**	**$**	**132**

12. 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.

13. Subsequent Events

a) Nevertire licence issuance

On April 14, 2020, the Company was successfully granted a new exploration licence (EL8960) for the Nevertire project.

b) Commencement of drilling at Trundle

On April 22, 2020, the Company announced a drilling program had commenced testing three large and mineralized porphyry targets at the Trundle project in the LFB. A phase 1 program for six holes and 3,800 metres is planned.

On May 19, 2020, the Company announced that the first diamond drill hole at the Trundle Park target had been completed at 685 metres in depth. Initial visual drill results have been very positive, with the prospectivity and of the target zone significantly expanded at the Trundle Park target. Hole TRDD001 has confirmed the targeted setting of an adjacent porphyry system to a near-surface skarn, analogous to Cadia and multiple other world-class porphyries.

Hole TRDD001 has intersected multiple skarn zones, including 28 metres of visually interpreted moderate mineralization from 55 metres, including a higher-grade 6.5-metre interval. Previous nearby assay results at Trundle Park include a higher-grade interval of two metre at 20 grams per tonne gold, 6.97% copper and 81 g/t silver from 64 metres. An adjacent monzonite and monzodiorite intrusion has been intersected, with disseminated chalcopyrite and pyrite supportive of proximity to a potential higher-grade porphyry system/core.

The skarn and porphyry intrusion system setting is analogous to Cadia where the Big and Little Cadia skarns have produced an estimated 140,000 tonnes of high-grade copper (5% to 7%) and greater than 1,500,000 tonnes iron ore, and were important to the discovery of multiple adjacent deposits that make up the largest porphyry system in Australia.

The average depth of prior drilling at the Trundle Park target is only 28 metres, and a high-priority follow-up hole is planned following assay results for TRDD001. In the interim, drilling has commenced at the Mordialloc target, approximately 12.5 km north of Trundle Park, where previous drilling has returned metal grades comparable to the peripheral parts of the Northparkes deposits, with improving grades down hole, open and coincident with an untested deeper geophysical target.

c) Shares for services

On April 8, 2020, the Company issued 2,483,480 common shares of the Company in consideration of certain services provided during the second half of 2019.

d) Grant of incentive options and shares

Following the Company's annual remuneration review, certain annual bonuses have been awarded to management of the Company, a portion of which will be satisfied through the issuance of an aggregate of 1,973,800 common shares at a deemed price of $0.10 per share, subject to the approval of the TSX Venture Exchange. The shares, when issued, will be subject to a four-month hold period from the date of issuance and to certain vesting provisions.

13. Subsequent Events – *continued*

d) Grant of incentive options and shares – continued

In addition, the Company granted 712,866 options to directors and officers of the Company, of which 356,433 are exercisable at $0.11 per share for a period of two years and 356,433 are exercisable at $0.25 per share for a period of three years. The Company has granted an additional 2,273,004 stock options to various directors, officers, employees and consultants of the Company, which are exercisable at a price of $0.085 for a period of three years.