



KENADYR

**KENADYR MINING (HOLDINGS) CORP.
(FORMERLY JAVELLE CAPITAL CORP.)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

**(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

**MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim consolidated financial statements of Kenadyr Mining (Holdings) Corp. (formerly Javelle Capital Corp.) ("Kenadyr Holdings" or the "Corporation") have been prepared by and are the responsibility of the Corporation's management. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

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

KENADYR MINING (HOLDING) CORP. (FORMERLY JAVELLE CAPITAL CORP.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2017 (UNAUDITED) AND DECEMBER 31, 2016

(expressed in Canadian Dollars)

	SEPTEMBER 30, 2017	DECEMBER 31, 2016
ASSETS		
Current Assets		
Cash	\$ 4,769,672	\$ 9,138,368
Deposits and other current assets (note 7)	988,549	883,793
	5,758,221	10,022,161
Non-Current Assets		
Exploration and evaluation asset (note 8)	3,832,245	3,832,245
Property, plant and equipment	158,391	23,547
Total Assets	\$ 9,748,857	\$ 13,877,953
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 385,932	\$ 238,781
	385,932	238,781
Non-Current Liabilities		
Warrant liability (note 10)	407,109	71,528
Total Liabilities	\$ 793,041	\$ 310,309
Shareholders' Equity		
Common Shares (note 9)	17,986,427	16,454,116
Reserves (note 10 and 11)	836,487	237,354
Accumulated and other comprehensive income	(43,146)	43,055
Deficit	(9,823,952)	(3,166,881)
	\$ 8,955,816	\$ 13,567,644
Total Liabilities and Shareholders' Equity	\$ 9,748,857	\$ 13,877,953

Commitments and Contingencies (note 8)

Approved on behalf of the Board of Directors

/s/ Alexander Becker
Alexander Becker, Director

/s/ Bryan Slusarchuk
Bryan Slusarchuk, Director

KENADYR MINING (HOLDING) CORP. (FORMERLY JAVELLE CAPITAL CORP.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016 (UNAUDITED)

(expressed in Canadian Dollars)

	THREE MONTHS ENDED SEPTEMBER 30, 2017	THREE MONTHS ENDED SEPTEMBER 30, 2016	NINE MONTHS ENDED SEPTEMBER 30, 2017	NINE MONTHS ENDED SEPTEMBER 30, 2016
OPERATING EXPENSES				
Consulting	\$ 229,607	\$ 166,923	\$ 427,793	\$ 272,954
Exploration and evaluation expenditures (note 12)	990,702	653,883	1,943,216	804,210
Foreign exchange gain	(7,257)	(10,766)	1,080	(36,107)
General and administrative expenses	23,389	47,825	199,710	93,928
Investor relations	1,032,674	-	1,406,990	-
Legal and professional fees	68,245	52,858	92,953	89,926
Listing expense (note 6)	-	-	1,165,638	-
Share based payment expense (note 11)	359,400	-	887,583	-
Travel	135,678	136,285	196,527	160,417
Operating Expenses	(2,832,438)	(10,047,008)	(6,321,490)	(1,385,328)
OTHER				
Interest expense	5,146	(4,988)	-	(4,988)
Gain (loss) on derivative financial instrument (note 10)	290,625	11,839	(335,581)	6,886
Other income	-	5,723	-	5,723
Loss Before Income Tax	(2,536,667)	(1,034,434)	(6,657,071)	(1,377,707)
Income Tax Expense	-	-	-	-
Net Loss	(2,536,667)	(1,034,434)	(6,657,071)	(1,377,707)
Other Comprehensive Income				
Foreign currency translation	(84,820)	7,850	(86,201)	(18,488)
Total Comprehensive Loss	\$ (2,621,487)	\$ (1,026,584)	\$ (6,743,272)	\$ (1,396,195)
Basic and diluted loss per share	\$(0.03)	\$(0.01)	\$(0.08)	\$(0.04)
Weighted average number of shares outstanding (basic and diluted) (note 14)	83,951,013	42,393,209	83,951,013	39,582,525

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

KENADYR MINING (HOLDING) CORP. (FORMERLY JAVELLE CAPITAL CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016 (UNAUDITED)

(expressed in Canadian Dollars)

	THREE MONTHS ENDED SEPTEMBER 30, 2017	THREE MONTHS ENDED SEPTEMBER 30, 2016	NINE MONTHS ENDED SEPTEMBER 30, 2017	NINE MONTHS ENDED SEPTEMBER 30, 2016
Net loss	\$ (2,536,667)	\$ (1,034,434)	\$ (6,657,071)	\$ (1,377,707)
Adjustments for items not affecting cash				
Depreciation	3,667	261	6,369	818
Loss on derivative financial instrument (note 10)	(290,625)	(17,212)	335,581	(6,886)
Listing Expense (note 6)		-	1,165,638	-
Share based payment expense	359,400	-	887,583	-
	(2,464,225)	(1,051,385)	(4,261,900)	(1,383,775)
Changes in non-cash working capital				
Increase in accounts payable and accrued liabilities.	(161,400)	102,390	27,560	167,861
Increase in deposits and other current assets	1,301,778	(123,513)	(92,785)	(384,265)
Cash Flows used in Operating Activities	(1,323,847)	(1,072,508)	(4,327,125)	(1,600,179)
Purchases of property, plant and equipment	-	-	(141,213)	-
Reverse acquisition of Kenadyr Mining (Holdings) Corp., net of cash (note 6)	-	-	184,341	-
Cash Flows provided by (used in) Investing Activities	-	-	43,128	-
Proceeds from issuance of common shares, net of share issuance costs	-	10,548,490	-	12,378,928
Proceeds from exercise of warrants	-	10,550	1,502	10,550
Cash Flows provided by Financing Activities	-	10,559,040	1,502	12,378,928
Changes in Cash during the period	(1,323,847)	9,486,532	(4,282,495)	10,778,928
Foreign Exchange on Cash	(84,820)	7,850	(86,201)	(20,271)
Cash – Beginning of the period	\$ 6,178,339	\$ 1,297,233	\$ 9,138,368	\$ 33,137
Cash – End of the period	\$ 4,769,672	\$ 10,791,615	\$ 4,769,672	\$ 10,791,615

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

**KENADYR MINING (HOLDING) CORP. (FORMERLY JAVELLE CAPITAL CORP.)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016 (UNAUDITED)**

(Expressed in Canadian Dollars, except per share amounts)

	Common Shares			Foreign currency translation reserve	Deficit	Total
	Number of Shares	Amount	Reserves			
Balance – December 31, 2016	79,898,024	\$ 16,454,116	\$ 237,354	\$ 43,055	\$ (3,166,881)	\$ 13,567,644
Net loss for the period	-	-	-	-	(6,657,071)	(6,657,071)
Other comprehensive loss	-	-	-	(86,201)	-	(86,201)
Shares and units issued for:						
Reverse acquisition (note 6)	3,549,599	1,355,366	(113,007)	-	-	1,242,359
Services (note 9)	500,000	175,000	-	-	-	175,000
Warrants exercised	4,290	1,945	(443)	-	-	1,502
Stock option grant	-	-	712,583	-	-	712,583
Balance – September 30, 2017	83,947,623	\$ 17,986,427	\$ 836,487	\$ (43,146)	\$ (9,823,952)	\$ 8,955,816
Balance – December 31, 2015	15,288,692	\$ 4,339,881	\$ -	\$ 38,139	\$ (710,179)	\$ 3,727,841
Net loss for the period	-	-	-	-	(1,377,707)	(1,377,707)
Other comprehensive loss	-	-	-	(18,488)	-	(18,488)
Shares issued for:						
Bonus (note 9)	2,850,000	-	-	-	-	-
Cash (note 9)	44,653,965	12,730,631	-	-	-	12,730,631
Warrant liability	-	(52,887)	-	-	-	(52,887)
Share issuance costs	17,105,367	(639,329)	270,651	-	-	(368,678)
Balance – September 30, 2016	79,898,024	\$ 16,438,296	\$ 270,651	\$ 19,651	\$ (2,087,886)	\$ 14,640,712

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

KENADYR MINING (HOLDINGS) CORP. (FORMERLY JAVELLE CAPITAL CORP.)
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016 (UNAUDITED)

(expressed in Canadian dollars)

1. General Information

Kenadyr Mining (Holdings) Corp. (formerly Javelle Capital Corp.) (“Kenadyr Holdings” or the “Corporation”) was incorporated on November 2, 2010 under the Business Corporation Act of the Province of British Columbia. On March 28, 2017, the Corporation changed its name from Javelle Capital Corp. to Kenadyr Mining (Holdings) Corp. The Corporation’s common shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “KEN” (formerly “JVL”).

The Corporation’s registered and records office is located at 1055 W. Georgia Street, Suite 1500, PO Box 11117, Vancouver, BC V6E 4N7 and its principal business address is #488 – 1090 W. Georgia Street, Vancouver, BC, V6E 3V7.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

Reverse Takeover

On March 28, 2017, the Corporation completed a reverse takeover transaction (“RTO”) pursuant to which it acquired Kenadyr Mining Corp. (“Kenadyr”), a company incorporated in British Columbia. Kenadyr is a natural resource company principally engaged in the exploration and development of the Borubai Project in the Chuy Region, Kyrgyz Republic. Kenadyr’s wholly-owned subsidiary, Proektno - Issledovatel'skii Centr Ala-Too LLC (“PIC Ala Too”), a limited liability company formed under the laws of the Kyrgyz Republic on July 1, 2011, holds the license related to the Borubai Project, and is the operator of all related mineral exploration activities.

On the closing of the RTO, Kenadyr became a wholly-owned subsidiary of the Corporation. As Kenadyr is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on August 11, 2015 are included in the consolidated financial statements at their historical carrying value. The Corporation’s results of operations are included from March 28, 2017 onwards, the closing date. Please refer to the Reverse Acquisition (Note 6) for more details.

2. Nature of Operations

The Corporation is in the process exploring and developing its mineral properties. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, successful permitting, the ability of the Corporation to obtain necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of each mineral property. Furthermore, the acquisition of title to mineral properties is a complicated and uncertain process, and while the Corporation has taken steps in accordance with normal industry standards to verify its title to the mineral properties in which it has an interest, there can be no assurance that such title will ultimately be secured. The carrying amounts of mineral properties are based on costs incurred to date, and do not necessarily represent present or future values.

3. Basis of Presentation

(a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), has issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IFRS has been omitted or condensed. The unaudited condensed interim financial statements should be read in conjunction with the Corporation’s audited financial statements for the year ended December 31, 2016.

(expressed in Canadian dollars)

These financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit and loss, which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting. The accounting policies set out in Note 4 have been applied consistently by the Corporation during the periods presented.

(b) Approval of Financial Statements

These unaudited condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on November 23, 2017.

(c) Functional and Presentation Currency

These condensed interim consolidated financial statements are presented in Canadian dollars. The functional currency of the Corporation and its controlled entities are measured using the principal currency of the primary economic environment in which each entity operates. The functional currency of the Canadian entity is in Canadian dollars, and the functional currency of the PIC Ala-Too is the Kyrgyzstani Som.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are retranslated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Foreign exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the costs of assets when they are regarded as an adjustment to interest costs on those currency borrowings
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks and
- Exchange differences on monetary items receivable from or payable to a foreign operation which settlement is neither planned nor likely to occur, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

4. Significant Accounting Judgments and Estimates

The preparation of the Corporation's condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ significantly from these estimates.

(expressed in Canadian dollars)

Areas requiring a significant degree of judgment that have the most significant effect on the amounts recognized in the Corporation's condensed interim consolidated financial statements are as follows:

- *Exploration and Evaluation Assets*

The net carrying value of each mineral property is reviewed regularly for conditions that suggest potential indications impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

- *Going Concern*

The assessment of the Corporation's ability to continue as a going concern involves critical judgement based on historical experience and expectations of the Corporation's ability to generate adequate financing. Significant judgements are used in the Corporation's assessment of its ability to continue as a going concern.

- *Income taxes*

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Corporation to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgement and make certain assumptions about the future performance of the Corporation. Management is required to assess whether it is probable that the Corporation will benefit from these prior losses and other deferred tax assets. Change in economic conditions, metal prices and other factors could result in revision to the estimates of the benefits to be realized or the timing of utilizing the losses.

- *Functional Currency*

The functional currency for each of the Corporation's subsidiary is the Kyrgyzstani SOM - the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Corporation reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

- *Valuation of Share-Based Payments and Warrant Liability*

The Corporation uses the Black-Scholes Option Pricing Model for valuation of share-based payments and the warrant liability. Option pricing models require the input of subjective assumptions including the share price, expected share price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Corporation's net loss and equity reserves.

(expressed in Canadian dollars)

- *Acquisition Accounting*

Kenadyr has accounted for the reverse acquisition of Kenadyr Holdings as an asset acquisition. Significant judgements and estimates were required to determine that the application of this accounting treatment was appropriate for the transaction. These included, among others, the determination that Kenadyr Holdings was not considered a business under IFRS 3: Business Combination, for the basis of calculation of the fair value of the consideration transferred and the estimate of the fair value of the net assets acquired.

5. Accounting Standards and Amendments Issued by Not yet Adopted

At the date of authorization of these condensed interim consolidated financial statements, the IASB and IFRIC has issued the following new and revised standards, amendments and interpretations which are not yet effective during the year ended December 31, 2017:

The IASB has issued or amended a number of new standards that were not be effective at December 31, 2017. These standards have not been early adopted in these condensed interim consolidated financial statements.

IFRS 7, Financial Instruments Disclosures (effective January 1, 2018) requires new disclosures resulting from the amendments to IFRS 9.

IFRS 9, Financial Instruments (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets and liabilities.

In May 2015, the IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15") which supersedes

IAS 11 Construction Contracts, IAS 18 Revenue, IFRS Interpretations Committee ("IFRIC") 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Asset from Customers, and SIC 31 Revenue Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is currently evaluating the impact the standard is expected to have on its consolidated financial statements.

IFRS 16, Leases was issued in January 2016 (effective January 1, 2019) and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Corporation is currently evaluating the impact the standard is expected to have on its consolidated financial statements.

6. Reverse Acquisition

On March 28, 2017, the Corporation and Kenadyr completed an amalgamation agreement (the "Amalgamation Agreement"), whereby the Corporation acquired 99.9% of the issued and outstanding capital stock of the Kenadyr, being 79,898,024 common shares, as a means by which Kenadyr will attain a public listing of its common shares (the "Reverse Takeover Transaction" or the "RTO").

The acquisition constitutes an asset acquisition as the Corporation does not met the definition of a business, as defined in IFRS 3, Business Combinations. Additionally, as a result of the RTO, the statement of financial position has been adjusted for the elimination of the Corporations share capital, contributed surplus and accumulated deficit within shareholders' equity.

As a result of this asset acquisition, a listing expense of \$1,165,638 has been recorded. This reflects the difference between the estimated fair value of Kenadyr shares deemed to have been issued to the Corporation's shareholders less the fair value of the assets of the Corporation acquired.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016 (UNAUDITED)

(expressed in Canadian dollars)

The preliminary allocation of estimated consideration transferred is subject to change and is summarized as follows:

Purchase Price	
3,549,599 common shares of Kenadyr Holdings	\$ 1,242,360
Total Purchase Price	\$ 1,242,360
Allocation of Purchase Price	
Cash	\$ 184,342
Prepaid expenses and other current assets	11,971
Accounts and accrued liabilities	(119,591)
Charge related to public company listing	1,165,638
	\$ 1,242,360

7. Prepaid Expenses and Other Current Assets

	September 30, 2017	December 31, 2016
Prepaid expenses and deposits	\$ 936,408	\$ 770,462
Other current assets	52,141	113,331
	\$ 988,549	\$ 883,793

Included in prepaid expenses and deposits are \$592,821 in deposits for a drilling contract.

8. Exploration and Evaluation Asset

	September 30, 2017	December 31, 2016
Borubai Project	\$ 3,832,245	\$ 3,832,245
	\$ 3,832,245	\$ 3,832,245

Borubai Project – Kyrgyz Republic

On September 5, 2014, the Corporation and the shareholders (the “Vendors”) of PIC Ala Too entered into a Share Exchange Agreement whereby the Corporation acquired all of the issued and outstanding shares of PIC Ala Too in exchange for 7,500,000 common shares of the Corporation (the “Consideration Shares”). PIC Ala Too holds title to the Borubai Prospecting license number 3365AP in the Chuy Region, Kyrgyz Republic.

As of the acquisition date of PIC Ala Too, management of the Corporation concluded that the acquisition does not constitute a business combination as determined by *IFRS 3 Business Combinations*, the acquisition was accounted for as an asset acquisition.

Management estimated that the fair value of the shares issued as consideration for the asset acquisition at USD \$0.20 per share; which is equivalent to the most recently completed financing immediately after the acquisition date above. As such, \$1,700,796 (USD \$1,500,000) was recorded as the cost of the mine prospecting license.

Concurrent to the signing of the Share Exchange Agreement, the Corporation entered into an Escrow Agreement and a Share Redemption Agreement on September 5, 2014, whereby the Corporation was

(expressed in Canadian dollars)

required to redeem 2,500,000 Consideration Shares for USD \$0.80 per share by April 30, 2015. In addition, the Corporation had an option to redeem an additional 2,500,000 Consideration Shares for USD \$0.80 per share by July 1, 2015. All Consideration Shares were to be held in escrow until shares under Redemption Agreement were redeemed.

On June 29, 2015, the Corporation entered into a new purchase agreement ("Purchase Agreement") with the Vendors, which supersedes the Share Redemption Agreement and Escrow Agreement. Under the terms of the Purchase Agreement the Corporation is required to pay a bonus payment ("Bonus Payment") in the amount of USD \$1.50 per indicated ounce of gold and USD \$3.00 per measured ounces of gold as calculated by an independent consultant and included in a report compliant with Canadian National Instrument 43-101 or the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code") guidelines (the "Compliant Report") if and when any such measured and indicated resources are defined in the Compliant Report. For every USD \$0.80 of Bonus Payment paid, the Corporation will receive on a pro-rate basis, one Consideration Share to a maximum of 7,500,000 Consideration Shares.

Management has determined that the new Purchase Agreement has superseded all prior agreements, including the Share Redemption Agreement. As a result, on June 29, 2015, the share redemption liability, in the amount of \$2,258,800, was extinguished. The de-recognition of the share redemption liability resulted in a corresponding increase to shareholders' equity. As at September 30, 2017, the share redemption liability was \$nil (December 31, 2016 - \$nil).

As a result of the new Purchase Agreement, the Corporation has a contingent liability to pay the Bonus Payment. As at September 30, 2017, the Bonus Payment contingent liability is not yet determinable.

9. Share Capital

(a) Authorized Share Capital

The Corporation is authorized to issue an unlimited number of common shares without par value. At September 30, 2017, the Corporation had 83,951,913 (December 31, 2016 – 79,898,024) common shares outstanding.

(b) Issued Share Capital

During the nine months ended September 30, 2017, the Corporation the following common shares.

- (i.) On May 23, 2017, 4,290 share purchase warrants of the Corporation were exercised at a price of \$0.35 per warrant for gross proceeds of \$1,502.
- (ii.) On March 28, 2017, 3,549,599 common shares of the Corporation were deemed to have been issued on completion of the RTO. The fair value of the 3,549,599 common shares deemed issued (\$1,242,360) was estimated using a fair value of \$0.35 per share.
- (iii.) In connection with the closing of the RTO, the Corporation issued an aggregate of 500,000 common shares to certain arm's length third parties as finder's fees. The fair value of services is \$75,000.

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(expressed in Canadian dollars)

(c) Escrowed Shares

Pursuant to the RTO transaction on March 28, 2017, 30,254,892 common shares of the Corporation were held in escrow. As at September 30, 2017, 27,229,404 common shares remain in escrow. The release dates and number of common shares to be released are as follows:

Release Dates	Number of common shares to be released
September 30, 2017	4,538,234
March 31, 2018	4,538,234
September 30, 2018	4,538,234
March 31, 2019	4,538,234
September 30, 2019	4,538,234
March 31, 2020	4,538,234
	27,229,404

10. Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted Average exercise price	Number of shares issued or issuable on exercise
Balance –December 31, 2015	USD \$0.25	450,000
Issuance of warrants	USD \$0.10	2,000,000
Balance – September 30, 2016	\$0.17	2,450,000
Issuance of warrants	\$0.35	2,183,044
Balance – December 31, 2016	\$0.25	4,633,044
Cancellation of Kenadyr warrants on RTO (see note 6)	\$0.25	(4,633,044)
Reissuance of Kenadyr Holdings warrants on RTO (see note 6)	\$0.25	4,633,044
Exercise of warrants	\$0.35	(4,920)
Expiry of warrants	\$0.35	(2,178,124)
Balance – September 30, 2017	\$0.25	2,450,000

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016 (UNAUDITED)

(expressed in Canadian dollars)

The expiry of warrants are as follows:

Grant Date	Expiry Date	Number of warrants issued	Weighted Average Exercise Price
July 6, 2015	July 6, 2018	250,000	USD \$0.25
August 17, 2015	August 17, 2018	50,000	USD \$0.25
August 24, 2015	August 24, 2018	50,000	USD \$0.25
September 21, 2015	September 21, 2018	100,000	USD \$0.25
January 14, 2016	January 14, 2018	500,000	USD \$0.10
January 19, 2016	January 19, 2018	500,000	USD \$0.10
February 4, 2016	February 4, 2018	500,000	USD \$0.10
February 12, 2016	February 12, 2018	500,000	USD \$0.10
		2,450,000	USD \$0.13

On March 28, 2017, pursuant the RTO all issued and outstanding share purchase warrants of Kenadyr were cancelled and share purchase warrants of Kenadyr Holdings were issued as replacements. Under IFRS 2 'Share-based payment', the cancellation and reissuance was considered a modification of the terms and conditions on which the equity instrument were granted. As such, the Corporation is required to recognize the effects of modification that increases the total fair value of the share-based payment arrangements or are otherwise beneficial to the option holders. The incremental fair value was \$696,615 and \$(113,007) for the warrant liability and warrant reserves respectively, as calculated by the difference between the total fair value of the modified share purchase warrants and the total fair value of the original share purchase warrants.

The fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk free interest rate of 0.74% (2016 – 0.33% to 0.53%), an expected life of 1 to 3 years (2016 – 3 years), an expected volatility of 58% to 76% (2016 – 61% to 76%) and no expected dividends. The expected volatility was determined using the average historical volatility of similar entities that are publicly listed on the basis that the Corporation has limited historical information.

Management has recorded the fair value of the warrants issued between July 6, 2015 and February 12, 2016 as a financial liability due to the exercise price of the warrants being denominated in U.S. dollars, where the functional currency of the Corporation is in Canadian dollars. The fair value movement in the response to changes in foreign exchange differences is recorded as a gain or loss on derivative financial instrument.

During the three and nine months ended September 30, 2017, the Corporation recorded a \$290,625 gain and a \$335,581 loss, respectively (2016 - \$11,839 gain and \$6,886 gain) on a derivative financial instrument in the statement of loss and comprehensive loss. As at September 30, 2017, the balance of the warrant liability is \$407,109 (December 31, 2016 - \$71,528).

11. Stock Options

The Corporation adopted a stock option plan (the "Plan") whereby it can grant stock options to directors, officers, employees, and consultants of the Corporation. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Corporation at any time.

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The changes in incentive share options outstanding are summarized as follows:

	Weighted average exercise price	Number of shares issued or issuable on exercise	Amount
Balance – March 31, 2017	\$ -	-	\$ -
Stock options granted	\$0.80	8,385,000	-
Stock options vested	\$0.80	3,354,000	667,546
Balance – September 30, 2017	\$0.80	8,385,000	\$ 667,546

During the nine-month period year ended September 30, 2017, the Corporation granted 8,385,000 incentive stock options to employees, consultants, and directors. The options may be exercised within 2 years from the date of grant at a price of \$0.80 per share, and have a vesting period of 2 years.

The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model, assuming a risk-free interest rate of 0.7% per annum, an expected life of options of 2 years, an expected volatility of 70.21%, and no expected dividends.

Incentive share options outstanding and exercisable September 30, 2017 are summarized as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price
\$0.80	8,385,000	1.5	\$0.80	3,354,000	\$0.80
	8,385,000	1.5	\$0.80	3,354,000	\$0.80

12. Exploration and Evaluation Expenditures

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Drilling	\$ 720,287	\$ 566,406	\$ 1,172,167	\$ 616,530
Exploration support and administration	58,800	24,651	194,963	59,328
Field Operations and consumables	36,007	24,675	101,449	28,358
Geological consulting	44,160	-	138,458	6,409
Sampling and Geological costs	9,393	18,347	117,427	60,104
Transportation	83,376	10,150	113,847	18,584
Travel and accommodation	38,679	9,654	104,905	14,897
	\$ 990,702	\$ 653,883	\$ 1,943,216	\$ 804,210

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13. Loss Per Share

The following table sets forth the computation of basic and diluted loss per share for three and nine months ended September 30, 2017 and 2016:

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Numerator				
Net loss for the period	\$ (2,536,667)	\$ (1,034,434)	\$ (6,657,071)	\$ (1,377,707)
Denominator				
Basic and diluted – weighted average number of shares outstanding	83,951,013	42,393,209	83,951,013	47,643,976
Loss Per Share – Basic and Diluted	\$(0.03)	\$(0.01)	\$(0.08)	\$(0.01)

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period.

The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. 83,951,012 share purchase warrants and 3,354,000 stock options, are excluded from the calculation of the diluted weighted average number of common shares outstanding for the nine months ended September 30, 2017 as the shares purchase warrants are anti-dilutive due to the net loss incurred by the Corporation during the nine months ended September 30, 2017.

14. Financial Instruments

Financial Assets and Liabilities

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Corporation considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short term maturity of these instruments.

As at September 30, 2017, the Corporation has the warrant liability as level 2 financial liabilities. The Corporation does not any have level 3 financial assets or liabilities. The fair value of warrant liability September 30, 2017 is \$407,110 (December 31, 2016 - \$71,528).

There were no transfers between level 1 and 2 during the three and nine months ended September 30, 2017 and 2016.

Financial Instrument Risk Exposure

The Corporation's financial instruments expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. These risks arise from the normal course of operations and all transactions are undertaken to support those operations. Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates the financial risks in co-operation with the Corporation's operating units. The Corporation's overall risk management program seeks to minimize potential adverse effects on the Corporation's financial performance, in the context of its general capital management objectives as further described in Note 15.

(expressed in Canadian dollars)

Concentration of Credit Risk

Credit risk is the risk of potential loss to the Corporation if the counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Corporation limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities. The Corporation has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements.

The Corporation's ongoing liquidity is impacted by various external events and conditions. The Corporation expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flows, as well as future equity and debt financing.

The Corporation coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 15.

As at September 30, 2017, the Company had a cash balance of \$4,769,672 (December 31, 2016 – \$9,138,368) to settle current liabilities of \$793,041 (December 31, 2016 – \$238,781). All of the Corporation's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. As at September 30, 2017, the Corporation's warrant liability is \$697,734 (December 31, 2016 – \$71,529).

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 Corporation is exposed to interest rate risk of cash balances. The Corporation periodically monitors cash balances and is of the opinion that it has no significant exposure at September 30, 2017 to interest rate risk through its other financial instruments.

Currency Risk

Currency risk is the risk that the Corporation will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Corporation is exposed to foreign currency risk on fluctuations related to cash, deposits and other current assets, warrant liabilities, accounts payable and accrued liabilities, and subscriptions payable that are denominated in U.S Dollars and Kyrgyzstani Som. The Corporation has not used derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

15. Management of Capital

The Corporation's primary objectives in capital management are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the development of the Borubai Project. Capital is comprised of the Corporation's shareholders' equity. The Corporation manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. To maintain or adjust its capital structure, the Corporation may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

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16. Segmented Information

The Corporation's exploration and evaluation activities are located in Kyrgyz Republic, with its head office function in Canada. All of the Corporation's capital assets, including property, plant and equipment and exploration and the exploration and evaluation asset are located in Kyrgyz Republic.

17. Related Party Transactions

The Corporation's related parties include key management personnel and companies related by way of directors or shareholders in common.

(a) Key Management Personnel Compensation

During the three and nine months ended September 30, 2017 and 2016, the Corporation paid and/or accrued the following fees to key management personnel:

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Management	\$ 71,327	\$ 54,043	\$ 216,928	\$ 86,449
Directors	37,432	95,254	117,114	119,875
	\$ 108,759	\$ 149,297	\$ 334,072	\$ 206,324

Key management includes the Corporation's Board of Directors and members of senior management.

(b) Due to Related Parties

As at September 30, 2017 and December 31, 2016, the Corporation has the follow amounts due to related parties:

	September 30, 2017	December 31, 2016
Accounts payable	\$ 4,290	\$ 6,731
	\$ 4,290	\$ 6,731