



KENADYR

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(EXPRESSED IN CANADIAN DOLLARS)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Kenadyr Mining (Holdings) Corp. (Formerly Javelle Capital Corp.)

We have audited the accompanying consolidated financial statements of Kenadyr Mining (Holdings) Corp. (formerly Javelle Capital Corp.) which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kenadyr Mining (Holdings) Corp., as at December 31, 2017, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Kenadyr Mining (Holdings) Corp. (formerly Javelle Capital Corp)'s ability to continue as a going concern.

Other Matter

The financial statements of Kenadyr Mining (Holdings) Corp. for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on May 1, 2017.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Chartered Professional Accountants
April 30, 2018
Vancouver, British Columbia

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS



KENADYR MINING (HOLDINGS) CORP. (FORMERLY JAVELLE CAPITAL CORP.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in Canadian Dollars)

	DECEMBER 31, 2017	DECEMBER 31, 2016
ASSETS		
Current Assets		
Cash	\$ 3,404,017	\$ 9,138,368
Deposits and other current assets (note 8)	1,249,114	883,793
	4,653,131	10,022,161
Non-Current Assets		
Exploration and evaluation asset (note 9)	3,832,245	3,832,245
Property, plant and equipment	131,101	23,547
Total Assets	\$ 8,616,477	\$ 13,877,953
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (note 10)	\$ 216,241	\$ 238,781
Non-Current Liabilities		
Warrant liability (note 12)	198,371	71,528
Total Liabilities	\$ 414,612	310,309
Shareholders' Equity		
Common Shares (note 11)	17,873,420	16,454,116
Warrant reserve (note 12)	236,911	237,354
Share based payment reserve	1,533,724	-
Foreign currency translation reserve	(83,685)	43,055
Deficit	(11,358,505)	(3,166,881)
	8,201,865	13,567,644
Total Liabilities and Shareholders' Equity	\$ 8,616,477	\$ 13,877,953

Nature and Continuance of Operations (Note 2)

Commitments and Contingencies (note 9)

Subsequent events (note 21)

Approved on behalf of the Board of Directors

/s/ Alexander Becker

Alexander Becker, Director

/s/ Bryan Slusarchuk

Bryan Slusarchuk, Director

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



**KENADYR MINING (HOLDINGS) CORP. (FORMERLY JAVELLE CAPITAL CORP.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(expressed in Canadian Dollars)

	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
OPERATING EXPENSES		
Consulting	\$ 381,667	\$ 246,774
Exploration and evaluation expenditures (note 14)	2,862,735	1,657,903
General and administrative expenses	357,648	146,140
Investor relations	1,427,156	-
Legal and professional fees	131,717	213,512
Listing expense (Note 7)	1,165,638	-
Share-based payments (notes 11 and 13)	1,708,724	-
Travel	113,172	225,343
Operating Expenses	(8,148,457)	(2,489,672)
OTHER		
Foreign exchange gain	48,744	22,012
Interest expense	-	5,235
Gain on write-off of debt	34,931	-
Gain (loss) on derivative financial instrument (note 12)	(126,842)	5,723
Net Loss	(8,191,624)	(2,456,702)
Other Comprehensive Income (Loss)		
Foreign currency translation	(126,740)	4,916
Total Comprehensive Loss	\$ (8,318,364)	\$ (2,451,786)
Basic and diluted loss per share	\$ (0.10)	\$ (0.05)
Weighted average number of shares outstanding (basic and diluted) (note 16)	82,996,092	50,664,563

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



KENADYR MINING (HOLDINGS) CORP. (FORMERLY JAVELLE CAPITAL CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in Canadian Dollars)

	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Net loss	\$ (8,191,624)	\$ (2,456,702)
Adjustments for items not affecting cash		
Depreciation	11,986	3,648
(Gain) loss on derivative financial instrument	126,842	-
Listing expense	1,165,638	-
Share-based payments	1,708,724	-
	(5,178,434)	(2,453,054)
Changes in non-cash working capital		
Accrued interest	-	(5,235)
Increase (decrease) in accounts payable and accrued liabilities.	(142,130)	137,123
Increase in deposits and other current assets	(353,350)	(869,244)
Cash Flows used in Operating Activities	(5,673,914)	(3,190,410)
Purchases of property, plant and equipment	(119,541)	(22,013)
Net cash received on reverse acquisition	184,342	-
Cash Flows from Investing Activities	64,801	(22,013)
Proceeds from issuance of common shares (net of share issuance costs)	-	12,312,738
Proceeds from exercise of warrants	1,502	-
Cash Flows from Financing Activities	1,502	12,312,738
Changes in Cash during the year	(5,607,611)	9,100,315
Foreign Exchange on Cash	(126,740)	4,916
Cash – Beginning of the year	9,138,368	33,137
Cash – End of the year	\$ 3,404,017	\$ 9,138,368

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



**KENADYR MINING (HOLDINGS) CORP. (FORMERLY JAVELLE CAPITAL CORP.)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(Expressed in Canadian Dollars, except per share amounts)

	<u>Common Shares</u>		Warrant Reserve	Share based payment Reserve	Foreign currency translation reserve	Deficit	Total
	Number of Shares	Amount					
Balance – December 31, 2016	79,898,024	\$ 16,454,116	\$ 237,354	\$ -	\$ 43,055	\$ (3,166,881)	\$ 13,567,644
Net loss for the year	-	-	-	-	-	(8,191,624)	(8,191,624)
Other comprehensive loss	-	-	-	-	(126,740)	-	(126,740)
Shares and units issued for:							
Reverse acquisition (note 7)	3,549,599	1,242,359	-	-	-	-	1,242,359
Services (note 11)	500,000	175,000	-	-	-	-	175,000
Warrants exercised (note 11)	4,290	1,945	(443)	-	-	-	1,502
Share based payments (note 13)	-	-	-	1,533,724	-	-	1,533,724
Balance – December 31, 2017	83,951,913	\$ 17,873,420	\$ 236,911	\$ 1,533,724	\$ (83,685)	\$ (11,358,505)	\$ 8,201,865
Balance – December 31, 2015	15,288,692	\$ 4,399,881	\$ -	\$ -	\$ 38,139	\$ (710,179)	\$ 3,727,841
Net loss for the year	-	-	-	-	-	(2,456,702)	(2,456,702)
Other comprehensive loss	-	-	-	-	4,916	-	4,916
Shares and units issued for:							
Cash (note 11)	44,653,965	12,730,631	-	-	-	-	12,730,631
Warrant liability (note 12)	-	(20,838)	-	-	-	-	(20,838)
Bonus (note 11)	2,850,000	-	-	-	-	-	-
Share issuance cost (note 11)	17,105,367	(655,558)	237,354	-	-	-	(418,204)
Balance – December 31, 2016	79,898,024	\$ 16,454,116	\$ 237,354	\$ -	\$ 43,055	\$ (3,166,881)	\$ 13,567,644

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

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.

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, incorporated in British Columbia, Canada on August 11, 2015, 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 (Note 9), 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 7) for more details.

2. Nature and Continuance of Operations and Going Concern

These financial statements have been prepared on the assumption that the Corporation will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations.

As at December 31, 2017, the Corporation had not advanced its exploration and evaluation assets to commercial production and is not able to finance day-to-day activities through operations. These uncertainties cast significant doubt about the Corporation’s ability to continue as a going concern. The Corporation’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds from and/or raise equity capital or borrowings sufficient to meet current and future obligations.

The Corporation has a net loss of \$8,191,2624 for the year ended December 31, 2017 and has a working capital of \$4,436,889 at December 31, 2017. The Corporation had cash of \$3,404,017 at December 31, 2017, but management cannot provide assurance that the Corporation will ultimately achieve profitable operations or become cash flow positive or raise additional debt and/or equity capital. If the Corporation is unable to raise additional capital in the future, management expects that the Corporation will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management intends to finance mineral property acquisition, exploration and general administration costs over the next twelve months from proceeds of private placements of its common shares.

3. Basis of Preparation and Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These financial statements were approved by the Board of Directors on April 26, 2018.

The Corporation’s financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as explained in Note 17, and are presented in Canadian dollars except where otherwise indicated.

Where fair value is used to measure assets and liabilities in preparing these financial statements, it is estimated at the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair values are determined from inputs that are classified within the fair value hierarchy defined under IFRS as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Inputs for the asset or liability that are unobservable

4. Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements are summarized below.

(a) Basis of Consolidation

The Corporation’s consolidated financial statements include the accounts of the Corporation and its subsidiary. Subsidiaries are entities controlled by the Corporation, where control is achieved by the Corporation being exposed to, or having rights to, variable returns from its involvement with the entity and having the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are deconsolidated from the date that control ceases.

The subsidiary PIC Ala Too has been consolidated for all periods presented within these financial statements and is wholly owned.

All inter-company transactions, balances, income and expenses are eliminated on consolidation.

(b) Cash

Cash shown on the balance sheet is comprised of cash at banks.

(c) Exploration and Evaluation Asset

Exploration and evaluation asset is comprised of a mineral property owned by the Corporation and is initially measured at the fair value of the consideration paid for the mineral rights acquired. The amounts shown for mineral property represents the cost of acquisition and do not reflect present or future values. These costs will be amortized against future production or written off if the assets are abandoned or sold.

Exploration and evaluation costs, except for the cost of acquisition, are expensed as incurred until management has determined that there is sufficient evidence to show the technical feasibility and commercial viability of the extraction of the mineral resources from the mineral properties. Once technical feasibility and commercial viability is demonstrated in the mineral properties, exploration and evaluation expenditures are capitalized as exploration and evaluation assets.

At each reporting date, exploration and evaluation assets are tested for indications of impairment. The Corporation has found no indications of impairment for years ended December 31, 2017 and 2016.

4. Significant Accounting Policies (Continued)

(d) Current and Deferred Income Taxes

Income tax expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in profit or loss except to the extent that they relate to a business combination or to items recognized directly in equity or in other comprehensive income.

Current income taxes are the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous periods.

Deferred income taxes are recognized using the liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. However, deferred income taxes are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss.

Deferred income taxes are determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are presented as non-current in the financial statements.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right of offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

(e) Warrants

When the Corporation issues units that are comprised of a combination of shares and warrants, the value is assigned to shares and warrants based on the residual value method. The fair value assigned to the warrants is determined based on a Black-Scholes option pricing model. The value of the shares is then determined by the proceeds from the issuance of units less the calculated fair value of the warrants.

Warrants issued with an exercise price that is not in the functional currency of the entity is to be recorded as a liability, as they fail the fixed for fixed criteria, as the exercise price is exposed to foreign exchange fluctuations. The Corporation has issued warrants with an exercise price in U.S. Dollars, while the Corporation's functional currency is in Canadian Dollars. In accordance with IAS 32, such warrants are initially recorded as financial liabilities at fair value on the balance sheet, with subsequent changes in fair value recognized in the statement of loss.

The warrant liability is assessed for fair value movement in response to the changes in foreign exchange differences from period to period. The Corporation records this movement as a gain or loss on derivative financial instrument.

(f) Share-based Payments

The Corporation has granted shares as a payment for certain services provided. The fair value of these shares are recognized as a share-based payment expense with a corresponding increase in equity. The fair value of these shares are determined based on the fair value of the cost of the service fees of the services used as consideration in exchange for the shares.

4. Significant Accounting Policies (Continued)

(g) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities and include key management of the Corporation and its parent. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

(h) Foreign Currencies

The 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.

Transactions and balances:

Foreign currency transactions are translated into the functional currency of each entity 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.

Group companies:

On consolidation, the assets and liabilities of foreign operations are translated into Canadian Dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation are recognized in COT. On disposal of a foreign operation, the component of OCI relating to that foreign operation is reclassified to profit or loss.

(i) Loss Per Share

Basic loss per share is calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated using the treasury share method whereby all "in the money" options, warrants and equivalents are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

Where dilutive potential ordinary shares have an anti-dilutive impact they are excluded from the calculation of diluted loss per share.

4. Significant Accounting Policies (Continued)

(j) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(k) Financial Instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it has become probable that the borrower will enter bankruptcy or financial reorganization; or
- a significant or prolonged decline in value.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

4. Significant Accounting Policies (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Derecognition of financial assets

A financial asset is derecognized when:

- the contractual right to the asset's cash flows expire; or
- if the Corporation transfers the financial asset and substantially all risks and rewards of ownership to another entity.

Financial Liabilities and Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial liability.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Corporation has classified accounts payable and accrued liabilities, and subscriptions payable as other financial liabilities.

Derecognition of financial liabilities

The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

5. Significant Accounting Judgments and Estimates

The preparation of the Corporation's 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.

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

- *Exploration and Evaluation Assets*

The net carrying value of each mineral property is reviewed when indicators 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.

- *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 Combinations.

- *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.

6. Accounting Standards and Amendments Issued by Not yet Adopted

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 consolidated financial statements.

IFRS 7, Financial Instruments Disclosures (effective January 1, 2018) requires new disclosures resulting from the amendments to IFRS 9. The adoption of this standard will not have a material impact on the Corporations financial statements.

IFRS 9, Financial Instruments (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets and liabilities. The adoption of this standard will not have a material impact on the Corporations 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.

7. 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 did not met the definition of a business, as defined in IFRS 3, Business Combinations. 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.

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 net assets of the Corporation acquired.

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

8. Prepaid Expenses, Deposits and Other Current Assets

	December 31, 2017	December 31, 2016
Deposits	\$ 1,199,516	\$ 770,462
Other current assets	49,598	113,331
	\$ 1,249,114	\$ 883,793

Included in other current assets are \$ 49,598 (2016 - \$86,000) in Value-Added Taxes (VAT) receivable.

9. Exploration and Evaluation Asset

	Balance December 31, 2015	Acquisition Costs	Balance December 31, 2016	Acquisition Costs	Balance December 31, 2017
Borubai Project	\$ 3,832,245	\$ -	\$ 3,832,245	\$ -	\$ 3,832,245
	\$ 3,832,245	\$ -	\$ 3,832,245	\$ -	\$ 3,832,245

Borubai Project – Kyrgyz Republic

The Borubai Project consists of the Borubai Prospecting license number 3365AP in the Chuy Region, Kyrgyz Republic which is held by PIC Ala-Too. The Corporation acquired PIC Ala-Too on September 5, 2014 in exchange for 7,500,000 common shares of the Corporation (the “Consolidation Shares”).

Pursuant to a revised purchase agreement (“Purchase Agreement”) entered into on June 29, 2015 with the Vendors, 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, with a corresponding increase to shareholders’ equity. As at December 31, 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 December 31, 2017, the Bonus Payment contingent liability is not yet determinable.

Realgold Resources Licenses – Kyrgyz Republic

On November 28, 2017, the Corporation entered into option agreements (the “Option Agreements”) with Realgold Resources Corp. (the “Optionor” or “Realgold”) for the acquisition of nine mineral exploration licenses (the “licenses”) covering approximately 1,200 square kilometres of prospective gold ground within Middle Tien Shan carbonaceous shale belt of the Kyrgyz Republic.

Under the terms of the Option Agreements, the Corporation is required to make secured advances in the aggregate amount of USD\$552,670 to subsidiaries of Realgold. The secured advances will bear interest at 5%, repayable in six months from the date of the last advance. At the Corporations discretion the advances can be converted into ownership interest upon the transfer being permitted under the laws of the Kyrgyz Republic.

As at December 31, 2017 no amounts had been advanced.

10. Accounts Payable and Accrued Liabilities

	December 31, 2017	December 31, 2016
Accounts Payable	\$ 61,860	\$ 83,670
Accrued Liabilities	154,381	155,111
	\$ 216,241	\$ 238,781

Included in accounts payable are amounts totalling \$19,127 (2016 - \$6,731) due to related parties.

11. Share Capital

a. Authorized Share Capital

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

b. Issued Share Capital

During the year ended December 31, 2017, the Corporation issued common shares as follows:

- (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 (note 7).
- (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 finder's fee was \$175,000, based on the most recently completed private placement of the Corporation, which was completed at \$0.35.

During the year ended December 31, 2016, the Corporation issued common shares as follows:

- (iv.) Between August 30, 2016 and September 21, 2016, the Corporation issued 30,957,081 common shares at a price of \$0.35 per share for gross proceeds of \$10,834,978. Share issuance costs include legal fees of \$25,509, cash commissions of \$374,145, issuance of 1,296,967 shares for finders' fees at a price of \$0.35 per share, and issuance of 2,183,044 finders' warrants (note 12). Each finder's warrant is exercisable at \$0.35 for a period of 12 months.
- (v.) On June 15, 2016, the Corporation issued 700,000 common shares at a price of \$0.15 per share for gross proceeds of \$105,000.
- (vi.) On May 30, 2016, the Corporation issued 2,667,551 common shares at a price of \$0.15 per share for gross proceeds of \$400,133.
- (vii.) On April 12, 2016, the Corporation issued 8,329,333 common shares at a price of \$0.15 per share for gross proceeds of \$1,249,400 and issued 15,758,000 common shares as finders' commission with a fair value of \$15,758. The Company agreed to pay the finders' commission once the finders had raised at least \$1,500,000 at \$0.15 per share. As disclosed in notes 10(b) (iv), (v) and (vi), \$1,754,433 was raised under this arrangement. Share issuance costs for the April 12, 2016 and the May 30, 2016 issuances also include finders' commission of \$18,550 (paid in cash) and \$7,560 (through the issuance of 50,400 common shares), respectively.

11. Share Capital (Continued)

- (viii.) Between January 14 and February 12, 2016, the Corporation closed a units offering (“Units Offering”) by issuing 2,000,000 units at a price of \$0.05 USD per unit for gross proceeds of USD \$100,000 (CAD \$141,120). Each unit comprised of one common share and one share purchase warrant. Each warrant is exercisable at USD \$0.10 for a period of 36 months. The Units Offering contain an anti-dilution clause in which bonus shares (“Bonus Shares”) will be issued to the subscriber should subsequent shares be issued for a price less than USD \$0.05 within a 24-month period to the Unit Offering. The Bonus Shares received by the subscriber will be an amount such that the subscriber will receive the same amount as they would have should they have entered the Units Offering at the reduced price.
- (ix.) On January 14, 2016, the Corporation issued 2,850,000 common shares as bonus shares as the anti-dilution clause from previous Units Offering triggered by the issuance of the January 14, 2016 Units Offering of USD \$0.05 per unit.

c. Escrow

Pursuant to the RTO transaction on March 28, 2017, 30,254,892 common shares of the Corporation were held in escrow. As at December 31, 2017, 22,691,170 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
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
	22,691,170

12. 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
Issuance of warrants	USD \$0.35	2,183,044
Balance – December 31, 2016	USD \$0.25	4,633,044
Exercise of warrants	USD \$0.35	(4,920)
Expiration of warrants	UDS \$0.35	(2,178,124)
Balance – December 31, 2017	USD \$0.13	2,450,000

12. Warrants (Continued)

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\$0.16

On March 28, 2017, pursuant to the RTO, all issued and outstanding share purchase warrants of Kenadyr were cancelled and share purchase warrants of Kenadyr (Holdings) Corp. were issued as replacements. The cancellation and reissuance of 2,450,000 warrants, was considered a modification of the terms and conditions on which the warrants were initially granted. Accordingly, the Corporation is required to recognize the effects of modification that increases the total fair value of the share-based payment that are otherwise beneficial to the warrant holders. On replacement the incremental fair value of the warrant was \$696,615 and was recognized in the statement of loss.

The incremental fair value of the replacement warrants was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 0.75%, an expected life of 11 months, an expected volatility of 65% 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.

The 2,183,044 fully vested non-derivative share purchase warrants were not re-measured, as these related to past services and the Corporation will receive no future benefit.

During the year ended December 31, 2016, the Corporation issued 2,000,000 share purchase warrants and recorded a total fair value of \$20,838 (USD \$14,755) and finders fees settled by the issuance of 2,183,044 share purchase warrants for a total fair value of \$237,354.

The fair value of the warrants was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.51% (2016 – 0.30% to 0.53%), an expected life of 1 year (2016 – 1 to 3 years), an expected volatility of 57% to 61% (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 the fair value of the warrants is recorded as a gain or loss on derivative financial instrument.

During years ended December 31, 2017 and 2016, the Corporation recorded \$126,842 loss and \$5,723 gain, respectively on the derivative financial instruments in the statement of loss and comprehensive loss.

The fair value of the replacement warrants as at December 31, 2017 was estimated using the Black-Scholes Option Pricing Model assuming a risk free interest rate of 1.5% (2016: 0.53%), an expected life of 2.1 months (2016: 14 months), an expected volatility of 58% (2016: 70%) and no expected dividends (2016: none). 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.

KENADYR MINING (HOLDINGS) CORP. (FORMERLY JAVELLE CAPITAL CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(expressed in Canadian dollars)

13. 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.

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 – December 2015 and 2016	\$ -	-	\$ -
Stock options granted	\$0.80	8,385,000	-
Stock options vested	\$0.80	-	1,533,724
Balance – December 31, 2017	\$0.80	8,385,000	\$ 1,533,724

During the year ended December 31, 2017, the Corporation granted 8,385,000 incentive stock options to employees, consultants, and directors. The options have an exercise price of \$0.80 and expire 5 years from the grant date. 7,885,000 of the options vest 20% on the grant date and then 20% every 6 months thereafter. 500,000 of the options vest 25% 3 months from the date of grant and then 25% every 3 months thereafter.

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 116%, and no expected dividends.

Share options outstanding and exercisable December 31, 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	4.5	\$0.80	3,354,000	\$0.80
	8,385,000	4.5	\$0.80	3,354,000	\$0.80

14. Exploration and Evaluation Expenditures

	Year ended December 31, 2017	Year ended December 31, 2016
Drilling	\$ 1,777,472	\$ 819,662
Exploration support and administration	315,870	182,135
Field Operations and consumables	118,616	57,216
Geological consulting	183,628	217,916
Sampling and Geological costs	182,412	143,961
Transportation	169,862	210,160
Travel and accommodation	114,875	26,853
	\$ 2,862,735	\$ 1,657,903

15. Income Tax

Income tax reconciliation

A reconciliation of taxes at statutory rates with period income taxes is as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Loss before income taxes	\$ (8,191,624)	\$ (2,456,702)
Statutory tax rate	26%	26%
Expense at statutory rate	(2,129,822)	(638,744)
Effect of different foreign statutory rates	586,153	395,392
Permanent differences	708,183	50,800
Net change in benefits of tax attributes previously not recognized	834,698	174,524
Other	788	18,028
Income tax expense (recovery)	\$ -	\$ -

As at December 31, 2017 and 2016, the Company has \$nil deferred tax asset (liabilities).

Tax Attributes Not Recognized

	Year ended December 31, 2017	Year ended December 31, 2016
Non-capital losses	\$ 8,656,796	\$ 3,051,856
Share issuance costs	1,025,234	959,278
Other	139,140	8,288
Total	\$ 9,821,169	\$ 4,019,422

As at December 31, 2017, the Corporation has non-capital losses for income tax purposes in Canada and Kyrgyz Republic which are available to be carried forward to reduce taxable income in the future years and for which no deferred income tax asset has been recognized, and which expire as follows:

	Canada	Kyrgyz Republic	Total
2019	\$ -	\$ 24,744	\$ 24,744
2020	-	175,552	175,552
2021	61,398	1,517,089	1,578,487
2025	321,573	2,254,434	2,576,007
2036	980,401	-	980,401
2037	3,321,605	-	3,321,605
	\$ 4,684,977	\$ 3,971,819	\$ 8,656,796

16. Loss Per Share

The following table sets forth the computation of basic and diluted loss per share for years ended December 31, 2017 and, 2016:

	Year ended December 31, 2017	Year ended December 31, 2016
Numerator		
Net loss for the year	\$ (8,191,624)	\$ (2,456,702)
Denominator		
Basic and diluted – weighted average number of shares outstanding	82,996,092	50,664,563
Loss Per Share – Basic and Diluted	\$(0.10)	\$(0.05)

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

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.

For the years ended December 31, 2017 and 2016, none of the instruments were included as the Company made a loss and therefore the impact was anti-dilutive.

17. 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.

The following table provides an analysis of the Corporation's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

As at December 31, 2017 and 2016, the Corporation has the warrant liability as level 3 financial liabilities.

	December 31, 2017	December 31, 2016
Level 3		
Financial liabilities at fair value		
Warrant liability	\$ 198,371	\$ 71,528
Total Financial Liabilities at Fair Value	\$ 198,371	\$ 71,528

There were no transfers between level 1 and 3 during the years ended December 31, 2017 and, 2016.

17. Financial Instruments (Continued)

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 18.

Concentration of 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 Corporation's primary exposure to credit risk is in its cash accounts and accounts receivable.

The Corporation's maximum exposure to credit risk at the date of the statement of financial position from its financial instruments is summarized as follows:

	December 31, 2017	December 31, 2016
Cash	\$ 3,404,017	\$ 9,138,368
	\$ 3,404,017	\$ 9,138,368

The Corporation manages credit risk on liquid financial assets through maintaining its cash with high 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 18. The Corporation's financial liabilities are comprised of its accounts payable and accrued liabilities, subscription payable and warrant liability, the contractual maturities of which at December 31, 2017 and 2016 are summarized as follows:

	December 31, 2017	December 31, 2016
Accounts payable and accrued liabilities with contractual maturities -		
Within 90 days or less	\$ 216,241	\$ 234,491
Later than 90 days, not later than one year	-	4,290
Warrant liability	198,371	71,528
	\$ 414,612	\$ 310,309

17. Financial Instruments (Continued)

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 December 31, 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.

The Corporation is exposed to currency risk at the balance sheet date through the following financial assets and liabilities, which are denominated in U.S. dollars and Kygystani Som:

	December 31, 2017		December 31, 2016	
	U.S Dollar	Kyrgyzstani Som	U.S Dollar	Kyrgyzstani Som
Cash	\$ 19,457	\$ 12,052	\$ 179,774	\$ 64,966
Deposits and other current assets	530,109	-	735,185	-
Warrant liability	(198,371)	-	(71,529)	-
Accounts payable and accrued liabilities	-	(41,509)	-	(7,499)
Subscriptions payable	-	-	-	-
	\$ 351,195	\$ (29,457)	\$ 843,430	\$ 57,467

Based on the above net exposure at December 31, 2017, a 10% depreciation or appreciation of the U.S. dollar and Kyrgystani Som against the Canadian dollar would result in an approximately \$14,657 and \$2,946, respectively, decrease or increase respectively in both net and comprehensive loss (December 31, 2016 – \$84,343 and \$5,747).

18. 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.

19. 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.

20. 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 years ended December 31, 2017 and 2016, the Corporation paid and/or accrued the following fees to key management personnel:

	Year ended December 31, 2017	Year ended December 31, 2016
Management	\$ 243,928	\$ 192,465
Directors	155,261	125,177
	\$ 399,189	\$ 317,642

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

b. Trade Related Party Transactions

During the years ended December 31, 2017 and 2016, the Corporation incurred legal fees to a company owned by one of the directors of the Corporation in the amount of \$nil and \$13,131, respectively.

c. Due to Related Parties

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

	December 31, 2017	December 31, 2016
Accounts payable	\$ 14,127	\$ 6,731
	\$ 14,127	\$ 6,731

21. Subsequent Events

- a. On January 28, 2018, pursuant to the option agreement (the “Option Agreement”) dated November 28, 2017 between the Corporation and Realgold Resources Inc. (“Realgold” or the “Optionor”), the Corporation, through its subsidiaries, advanced secured loans in aggregate of \$552,670 USD to certain subsidiaries of Realgold. Subject to compliance with all applicable laws of the Kyrgyz Republic, the Corporation is now eligible to exercise its option to acquire nine exploration licenses (the “Licenses”) under the terms of the Option Agreement. During the period of the options, Realgold’s subsidiaries will use the funds advanced under the Option Agreements to conduct exploration activities on the Licenses and to maintain the Licenses in good standing under the Corporation’s oversight. The Licenses cover approximately 1,200 square kilometers of the most prospective gold ground within the Middle Tien Shen carbonaceous shale belt of the Kyrgyz Republic.

A summary of the licenses are as follows:

#	Project	Area (Hectares)	Location	License ID
1.	Arpatektyr	10,978	East of Kumtor	5135
2.	Taldysu-Sarlytash	10,177	East of Kumtor	5317
3.	Kyilu-Irtash	12,026	East of Kumtor	5147
4.	Akbelsuu	12,875	West of Kumtor	5132
5.	Kashkasu-Sandalash	12,681	NE Chaarat	5137
6.	Kokuibel	15,067	NE Chaarat	5133
7.	Chiimtash	3,634	East of Chaarat	5144
8.	Kokiirim-Bardambot	34,251	Central black shale segment	5149
9.	Usta-Sai	10,220	Central black shale segment	5131