



**KENADYR MINING (HOLDINGS) CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

**(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, Dale Matheson Car-Hilton Labonte LLP Chartered Professional Accountants, 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**  
**KENADYR MINING (HOLDINGS) CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2019 (UNAUDITED)**

*(expressed in Canadian Dollars)*

	<b>SEPTEMBER 30, 2019</b>	<b>DECEMBER 31, 2018</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 615,996	\$ 520,052
Deposits and other current assets (Note 6)	712,755	697,943
	1,328,751	1,217,995
<b>Non-Current Assets</b>		
Exploration and evaluation asset (Note 8)	3,832,245	3,832,245
Property and equipment (Note 9)	89,168	117,491
Loan receivable (Note 7)	931,864	921,992
<b>Total Assets</b>	<b>\$ 6,182,028</b>	<b>\$ 6,089,723</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 10)	\$ 273,430	\$ 58,544
<b>Total Liabilities</b>	<b>\$ 273,430</b>	<b>\$ 58,544</b>
<b>Shareholders' Equity</b>		
Common Shares (Note 11)	20,226,072	19,662,711
Warrant reserve (Note 12)	222,246	180,196
Share based payment reserve (Note 13)	2,191,130	2,122,130
Foreign currency translation reserve	192,961	214,245
Deficit	(16,923,811)	(16,148,103)
	5,908,598	6,031,179
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 6,182,028</b>	<b>\$ 6,089,723</b>

Nature and Continuance of Operations (Note 2)

**Approved on behalf of the Board of Directors**

/s/ Alexander Becker  
Alexander Becker, Director

/s/ Michael Velletta  
Michael Velletta, Director



**KENADYR**

**KENADYR MINING (HOLDINGS) CORP.**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)**

*(expressed in Canadian Dollars)*

	THREE MONTHS ENDED SEPTEMBER 30, 2019	THREE MONTHS ENDED SEPTEMBER 30, 2018	NINE MONTHS ENDED SEPTEMBER 30, 2019	NINE MONTHS ENDED SEPTEMBER 30, 2018
<b>OPERATING EXPENSES</b>				
Consulting (Note 18)	\$ 57,712	\$ 73,677	\$ 197,056	\$ 253,465
Depreciation	9,263	3,380	28,323	9,170
Exploration and evaluation expenditures (Note 14)	80,518	832,987	304,898	2,608,167
Foreign exchange (gain)/loss	(32,071)	173,518	(49,882)	83,860
General and administrative expenses	59,416	44,631	148,352	184,402
Investor relations	-	5,891	3,000	40,909
Legal and professional fees	2,698	18,245	40,661	87,723
Share based payment expense (Note 13)	-	195,683	69,000	730,229
Travel	-	-	34,300	89,687
<b>Operating Expenses</b>	<b>\$ (177,536)</b>	<b>\$ (1,348,012)</b>	<b>\$ (775,708)</b>	<b>\$ (4,087,612)</b>
<b>Other</b>				
Gain (loss) on derivative financial instrument (Note 12)	-	-	-	198,372
<b>Net Loss</b>	<b>\$ (177,536)</b>	<b>\$ (1,348,012)</b>	<b>\$ (775,708)</b>	<b>\$ (3,889,240)</b>
<b>Other Comprehensive Income</b>				
Foreign currency translation	(1,019)	128,721	(21,284)	191,330
<b>Total Comprehensive Loss</b>	<b>\$ (178,555)</b>	<b>\$ (1,219,291)</b>	<b>\$ (796,992)</b>	<b>\$ (3,697,910)</b>
<b>Basic and diluted loss per share</b>	<b>\$(0.00)</b>	<b>\$(0.01)</b>	<b>\$(0.01)</b>	<b>\$(0.04)</b>
<b>Weighted average number of shares outstanding (basic and diluted) (Note 15)</b>	<b>94,655,644</b>	<b>92,811,913</b>	<b>93,428,749</b>	<b>88,196,423</b>

The accompanying notes are integral to these condensed interim consolidated financial statements



**KENADYR**  
**KENADYR MINING (HOLDINGS) CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)**

*(expressed in Canadian Dollars)*

	<b>NINE MONTHS ENDED SEPTEMBER 30, 2019</b>	<b>NINE MONTHS ENDED SEPTEMBER 30,2018</b>
Net loss	\$ (775,708)	\$ (3,889,240)
Adjustments for items not affecting cash		
Depreciation	28,323	9,170
Loss on derivative financial instrument (Note 12)	-	(198,372)
Share based payment expense (Note 13)	69,000	730,229
Unrealized foreign exchange gain on RealGold Loan	(9,872)	-
	\$ (688,257)	\$ (3,348,213)
Changes in non-cash working capital		
Increase in accounts payable and accrued liabilities.	214,886	(22,163)
Increase in deposits and other current assets	(14,812)	(315,543)
<b>Cash Flows used in Operating Activities</b>	<b>\$ (488,183)</b>	<b>\$ (3,685,919)</b>
Purchases of property, plant and equipment	\$ -	\$ (23,169)
Loan issued to Real Gold	-	(687,632)
<b>Cash Flows provided by (used in) Investing Activities</b>	<b>\$ -</b>	<b>\$ (710,801)</b>
Proceeds from issuance of common shares, net of share issuance costs (Note 11)	\$ 605,411	\$ 1,672,000
Proceeds from exercise of warrants	-	60,575
<b>Cash Flows provided by Financing Activities</b>	<b>\$ 605,411</b>	<b>\$ 1,732,575</b>
<b>Changes in Cash</b>	<b>117,228</b>	<b>(2,664,145)</b>
<b>Foreign Exchange on Cash</b>	<b>(21,284)</b>	<b>191,329</b>
<b>Cash – Beginning of the period</b>	<b>\$ 520,052</b>	<b>\$ 3,404,017</b>
<b>Cash – End of the period</b>	<b>\$ 615,996</b>	<b>\$ 931,201</b>

The accompanying notes are integral to these condensed interim consolidated financial statements



**KENADYR**  
**KENADYR MINING (HOLDINGS) CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)**

*(Expressed in Canadian Dollars, except per share amounts)*

	Common Shares		Reserves	Share based payment Reserve	Foreign currency translation reserve	Deficit	Total
	Number of Shares	Amount					
<b>Balance – December 31, 2018</b>	92,811,913	\$ 19,662,711	\$ 180,196	\$ 2,122,130	\$ 214,245	\$ (16,148,103)	\$ 6,031,179
Net loss for the year	-	-	-	-	-	(775,708)	(775,708)
Other comprehensive loss	-	-	-	-	(21,284)	-	(21,284)
Shares issued for cash (note 11)	8,410,000	630,750	42,050	-	-	-	672,800
Share issuance costs (note 11)	420,500	(67,389)	-	-	-	-	(67,389)
Share based payment expense (note 13)	-	-	-	69,000	-	-	69,000
<b>Balance – September 30, 2019</b>	101,642,413	\$ 20,226,072	\$ 222,246	\$ 2,191,130	\$ 192,961	\$ (16,923,811)	\$ 5,908,598
<b>Balance – December 31, 2017</b>	83,951,913	\$ 17,873,420	\$ 236,911	\$ 1,533,724	\$ (83,685)	\$ (11,358,505)	\$ 8,201,865
Net loss for the period	-	-	-	-	-	(3,889,240)	(3,889,240)
Shares issued for cash (note 11)	8,360,000	1,672,000	-	-	-	-	1,672,000
Share issuance costs	-	(485,528)	485,528	-	-	-	-
Other comprehensive loss	-	-	-	-	191,330	-	191,330
Common shares issued on exercise of warrants	500,000	60,576	-	-	-	-	60,576
Share based payment (note 13)	-	-	-	730,229	-	-	730,229
<b>Balance – September 30, 2018</b>	92,811,913	\$ 19,120,468	\$ 722,439	\$ 2,263,953	\$ 107,645	\$ (15,247,745)	\$ 6,966,760

The accompanying notes are integral to these condensed interim consolidated financial statements



**KENADYR**

**KENADYR MINING (HOLDINGS) CORP.**

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)**

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*(expressed in Canadian dollars)*

## **1. General Information**

Kenadyr Mining (Holdings) Corp. (“Kenadyr Holdings” or the “Corporation”) was incorporated on November 2, 2010 under the Business Corporation Act of the Province of British Columbia. The Corporation’s common shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “KEN”.

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 8), 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.

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 #1430 – 800 W. Pender Street, Vancouver, BC, V6C 2C6.

## **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 September 30, 2019, 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 material 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 had a net loss of \$775,708 for the nine months ended September 30, 2019 and has a working capital of \$1,055,321 at September 30, 2019. The Corporation had cash of \$615,996 at September 30, 2019, 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 Corporation’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.



**KENADYR  
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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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*(expressed in Canadian dollars)*

### **3. Basis of Preparation and 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, 2018.

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. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued as of November 29, 2019, the date the Board of Directors approved the financial statements.

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 16, 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 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,



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*(expressed in Canadian dollars)*

#### **4. Significant Accounting Judgments and Estimates (continued)**

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.



**KENADYR MINING (HOLDINGS) CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)**

(expressed in Canadian dollars)

**5. Accounting Standards and Amendments Adopted.**

**IFRS 16 - Leases**

The Company adopted all of the requirements of IFRS 16, effective January 1, 2019. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. There was no material impact on the Company's condensed consolidated interim financial statements upon the adoption of this new standard.

**6. Prepaid Expenses, Deposits and Other Current Assets**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Deposits	\$ 627,557	\$ 626,685
Value-Added Tax Receivable	85,198	71,258
	<b>\$ 712,755</b>	<b>\$ 697,943</b>

Deposits consist primarily of cash paid in advance for drilling.

**7. Loan receivable**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Loan advanced	\$ 931,864	\$ 921,992
	<b>\$ 931,864</b>	<b>\$ 921,992</b>

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 USD \$552,670 (CAD \$693,937) 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 direction. The loans advanced are expected to be settled through the acquisition of the claims from Realgold.

In addition to the amounts loaned above, the Corporation has provided 8,300,428 Kyrgyzstani Som (CAD \$161,734) as a short-term loan to Realgold. All other differences are a result of change in foreign exchange rates.

Kenadyr and Realgold shares common directors (Note 18).



**KENADYR MINING (HOLDINGS) CORP.**  
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(expressed in Canadian dollars)

**8. Exploration and Evaluation Asset**

	September 30, 2019	December 31, 2018
<b>Borubai Project</b>	\$ 3,832,245	\$ 3,832,245
	\$ 3,832,245	\$ 3,832,245

***Borubai Project – Kyrgyz Republic***

The Corporation's exploration and evaluation asset consists of the Borubai Project.

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-rata 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 September 30, 2019, the share redemption liability was \$nil (December 31, 2018 - \$nil).

As a result of the revised Purchase Agreement, the Corporation has a contingent liability to pay the Bonus Payment. As at September 30, 2019, the Bonus Payment contingent liability is not yet determinable.



**KENADYR MINING (HOLDINGS) CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)**

*(expressed in Canadian dollars)*

**9. Property and Equipment**

	<b>Equipment</b>	
<b>Cost</b>		
<b>As at December 31, 2017</b>	\$	152,739
Additions		26,148
Disposals		-
<b>As at December 31, 2018</b>	\$	178,887
Additions		-
Disposals		-
<b>As at September 30, 2019</b>	\$	178,887
<b>Accumulated depreciation</b>		
<b>As at December 31, 2017</b>	\$	(21,638)
Depreciation		(39,758)
Disposals		-
<b>As at December 31, 2018</b>	\$	(61,396)
Depreciation		(28,323)
Disposals		-
<b>As at September 30, 2019</b>	\$	(89,719)
<b>Net Book Value</b>		
<b>As at September 30, 2019</b>	\$	89,168

Equipment consists primarily of surveying and office equipment.

**10. Accounts Payable and Accrued Liabilities**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Accounts Payable	\$ 266,917	\$ 8,459
Accrued Liabilities	6,513	50,085
	\$ 273,430	\$ 58,544

Included in accounts payable are amounts totalling \$153,229 (2018 - \$nil) due to related parties (see Note 18).



**KENADYR MINING (HOLDINGS) CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (UNAUDITED)**

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*(expressed in Canadian dollars)*

**11. Share Capital**

**(a) Authorized Share Capital**

The Corporation is authorized to issue an unlimited number of common shares without par value. At September 30, 2019, the Corporation had 101,642,413 common shares outstanding.

**(b) Issued Share Capital**

During the nine months ended September 30, 2019, the Corporation issued common shares as follows:

- On September 11, 2019, the Corporation issued 8,410,000 units at \$0.08 per unit for total gross proceeds of \$672,800. Each unit is comprised of one common share and one-half common share purchase warrant. Each share purchase warrant is exercisable into one common share of the Corporation at \$0.12 per share purchase warrant for a period of 24 months from the date of the closing of the offering.

In connection with the offering, the Corporation incurred share issuance costs of \$13,565 in legal fees, \$53,824 cash financing fees, and issued 420,500 units for the settlement of \$33,640 of corporate finance advisory fees. In addition, the Corporation issued 672,800 compensation warrants. Each compensation warrant is exercisable into one common share and one-half common share purchase warrant at a price of \$0.08 per compensation warrant for a period of 24 months from the date of the close of the offering. Each share purchase warrant underlying a compensation warrant is exercisable at a price of \$0.12 per share purchase warrant for a period of 24 months from the date of the exercise of the compensation warrant.

During the year ended December 31, 2018, the Corporation issued common shares as follows:

- On May 30, 2018, the Corporation issued 8,360,000 units for total gross proceeds of \$1,672,000. Each unit is comprised of one common share and one common share purchase warrant. Each share purchase warrant is exercisable into one common share of the Corporation at \$0.35 per share for a period of 24 months from the date of closing of the offering.
- On January 25, 2018, 500,000 common shares were issued on exercise of warrants for gross proceeds of \$60,576 (US\$50,000).



**KENADYR MINING (HOLDINGS) CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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*(expressed in Canadian dollars)*

**12. Warrants**

Details regarding warrants issued and outstanding are summarized as follows:

	<b>Weighted Average exercise price</b>	<b>Number of shares issued or issuable on exercise</b>
Balance – December 31, 2017	\$0.18	2,450,000
Share purchase warrants issued	\$0.35	8,360,000
Share purchase warrants exercised	USD \$0.10	(500,000)
Share purchase warrants expired	USD \$0.10	(1,500,000)
Share purchase warrants expired	USD \$0.25	(450,000)
Balance – December 31, 2018	\$0.35	8,360,000
Share purchase warrants issued	\$0.12	4,415,250
Compensation warrants issued	\$0.08	672,800
Balance – September 30, 2019	\$0.27	13,448,050

The expiry of warrants are as follows:

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Number of warrants issued</b>	<b>Weighted Average Exercise Price</b>
May 30, 2018	May 30, 2020	8,360,000	\$0.35
September 11, 2019	September 11, 2021	4,415,250	\$0.12
September 11, 2019	September 11, 2021	672,800	\$0.08
		13,448,050	\$0.27

During the nine months ended September 30, 2019, the Corporation issued 4,415,250 share purchase warrants and 672,800 compensation warrants (Note 11). Residual value of \$31,538 and \$10,512 was recorded in equity respectively.

During the year ended December 31, 2018, the Corporation issued 8,360,000 share purchase warrants (Note 11). The total residual value of \$41,800 was recorded in equity.

During the year ended December 31, 2018, 1,950,000 derivative share purchase warrants expired. The change in fair value has of the warrants has been recorded as gain on derivative financial instrument.



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*(expressed in Canadian dollars)*

**12. Warrants (continued)**

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.

Management has recorded the fair value of the 2,450,000 warrants 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 \$198,372 gain on derivative financial instrument.

**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:

	<b>Weighted average exercise price</b>	<b>Number of shares issued or issuable on exercise</b>	<b>Amount</b>
Balance – December 31, 2017	\$0.80	8,385,000	\$ 1,533,724
Stock options vested	\$0.80	-	588,406
Balance – December 31, 2018	\$0.80	8,385,000	\$ 2,122,130
Stock options vested	\$0.80	-	64,219
Stock options cancelled	\$0.80	(8,385,000)	-
Stock options issued	\$0.10	6,120,000	4,781
Balance – March 31, 2019	\$0.80	6,120,000	\$ 2,191,130

On July 31, 2019, the Corporation cancelled 4,140,000 stock options expiring April 18, 2021 with an exercise price of \$0.80 and reissued 3,140,000 with the same expiry date at an exercise price of \$0.10. The fair value difference due to the repricing is insignificant and has not been recorded.

On March 4, 2019 the Corporation cancelled 4,245,000 stock options expiring April 18, 2021 with an exercise price of \$0.80 and reissued 2,840,000 with the same expiry date at an exercise price of \$0.10. The fair value difference due to the repricing is insignificant and has not been recorded.

On March 4, 2019, the Corporation issued 140,000 stock options to employees and consultants. The options have an exercise price of \$0.10 and expire 5 years from the grant date. 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 1.64 % per annum, an expected life of options of 2.5 years, an expected volatility of 73%, and no expected dividends. The fair value of the options of \$4,781 was recorded as a share-based payment expense.



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**13. Stock Options (continued)**

Share options outstanding and exercisable 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
\$0.10	5,980,000	2.59	\$0.10	5,980,000	\$0.10
\$0.10	140,000	4.43	\$0.10	140,000	\$0.10
	6,120,000	2.63	\$0.10	6,120,000	\$0.10

**14. Exploration and Evaluation Expenditures**

Exploration and evaluation expenditures incurred for the Nine months ended September 30, 2019 and 2018 are as follows:

	Three Months Ended		Nine months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Drilling	\$ -	\$ 609,327	\$ -	\$ 1,953,328
Exploration support and administration	35,419	35,265	108,347	135,896
Field Operations and consumables	-	37,876	-	37,876
Geological consulting	38,510	46,530	137,046	242,209
Sampling and Geological costs	6,589	68,040	54,091	94,035
Transportation	-	34,612	5,414	129,186
Travel and accommodation	-	1,337	-	15,637
	\$ 80,518	\$ 832,987	\$ 304,898	\$ 2,608,167



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**15. 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, 2019 and 2018:

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>Numerator</b>				
Net loss for the period	\$ (178,555)	\$ (1,219,291)	\$ (796,992)	\$ (3,889,240)
<b>Denominator</b>				
Basic and diluted – weighted average number of shares outstanding	94,655,644	92,811,913	93,428,749	88,196,423
<b>Loss Per Share – Basic and Diluted</b>	<b>\$(0.00)</b>	<b>\$(0.01)</b>	<b>\$(0.01)</b>	<b>\$(0.04)</b>

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 three and nine months ended September 30, 2019 and 2018, none of the instruments were included as the Company made a loss and therefore the impact was anti-dilutive.

**16. 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, 2019, the Corporation does not any have level 2 or 3 financial assets or liabilities.

There were no transfers between level 1 and 2 during the nine months ended September 30, 2019 and 2018.

**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 17.

**16. Financial Instruments (continued)**



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### **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 coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 17.

As at September 30, 2019, the Corporation had a cash balance of \$615,996 to settle current liabilities of \$273,430. 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.

### **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, 2019 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, and accounts payable and accrued liabilities 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. A 5% change in the USD-CAD and KGS-CAD foreign exchange rate would affect comprehensive income by approximately \$3,456.

## **17. 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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**18. 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, 2019 and 2018, the Corporation paid and/or accrued the following fees to key management personnel:

	Three Months Ended		Nine months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Management	\$ 42,712	\$ 57,208	\$ 158,647	\$ 173,521
Directors	19,843	19,472	66,135	61,128
	\$ 62,555	\$ 76,680	\$ 224,782	\$ 234,649

Additional to the fees paid to management personnel in the table above, during the nine months ended, there were also share based payments of \$20,361 and \$13,357 paid to management and directors respectively (2018 - \$171,039 and \$105,453). Key management includes the Corporation's Board of Directors and members of senior management.

**(b) Due to Related Parties**

As at September 30, 2019, the Corporation has \$153,229 accounts payable due to related parties (December 31, 2018 - \$nil).

**(c) Loan to Realgold**

Kenadyr and Realgold shares similar directors. Please see Note 8 for additional details on the loan to Realgold.