



KENADYR MINING (HOLDINGS) CORP.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

(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.

Opinion

We have audited the consolidated financial statements of Kenadyr Mining (Holdings) Corp. (formerly Javelle Capital Corp. (the "Company")), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements, which indicates that the Company is not able to finance day to day activities through operations and its continuation as a going concern is dependent upon the successful results from its exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital to meet current and future obligations. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
April 30, 2019



KENADYR
KENADYR MINING (HOLDINGS) CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

(expressed in Canadian Dollars)

	DECEMBER 31, 2018	DECEMBER 31, 2017
ASSETS		
Current Assets		
Cash	\$ 520,052	\$ 3,404,017
Deposits and other current assets (Note 8)	697,944	1,249,114
	1,217,995	4,653,131
Non-Current Assets		
Exploration and evaluation asset (Note 10)	3,832,245	3,832,245
Property and equipment (Note 11)	117,491	131,101
Loan receivable (Note 9)	921,992	-
	6,089,723	8,616,477
Total Assets	6,089,723	\$ 8,616,477
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 12)	\$ 58,544	\$ 216,241
	58,544	216,241
Non-Current Liabilities		
Warrant liability (Note 14)	-	198,371
	58,544	414,612
Total Liabilities	\$ 58,544	\$ 414,612
Shareholders' Equity		
Common Shares (Note 13)	19,662,710	17,873,420
Warrant reserve (Note 14)	180,196	236,911
Share based payment reserve	2,122,130	1,533,724
Foreign currency translation reserve	214,245	(83,685)
Deficit	(16,148,103)	(11,358,505)
	6,031,179	8,201,865
Total Liabilities and Shareholders' Equity	\$ 6,089,723	\$ 8,616,477

Nature and Continuance of Operations (Note 2)

Approved on behalf of the Board of Directors

/s/ Alexander Becker
Alexander Becker, Director

/s/ Bryan Slusarchuk
Bryan Slusarchuk, Director

The accompanying notes are integral to these consolidated financial statements



KENADYR MINING (HOLDINGS) CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

(expressed in Canadian Dollars)

	YEAR ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2017
OPERATING EXPENSES		
Consulting (Note 20)	\$ 327,782	\$ 381,667
Depreciation	38,513	11,966
Exploration and evaluation expenditures (Note 16)	3,133,655	2,862,735
Foreign exchange (gain)/loss	115,433	(48,744)
General and administrative expenses	356,088	345,682
Investor relations	43,675	1,427,156
Legal and professional fees	76,902	131,717
Listing expense (Note 7)	-	1,165,638
Share based payment expense (Note 15)	588,406	1,708,724
Travel	90,567	113,172
Operating Expenses	(4,771,021)	(8,099,713)
OTHER		
Gain (loss) on derivative financial instrument (Note 14)	198,372	(126,842)
Write off of debt	-	34,931
Write-off of deposit	(216,949)	-
Net Loss	(4,789,598)	(8,191,624)
Other Comprehensive Income		
Foreign currency translation	297,930	(126,740)
Total Comprehensive Loss	\$ (4,491,668)	\$ (8,318,364)
Basic and diluted loss per share	\$(0.05)	\$(0.10)
Weighted average number of shares outstanding (basic and diluted)	89,379,825	82,996,092

The accompanying notes are integral to these consolidated financial statements



KENADYR
KENADYR MINING (HOLDINGS) CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

(expressed in Canadian Dollars)

	YEAR ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2017
Net loss	\$ (4,789,598)	\$ (8,191,624)
Adjustments for items not affecting cash		
Depreciation	38,513	11,966
Loss on derivative financial instrument	(198,372)	126,842
Listing Expense	-	1,165,638
Share based payment expense	588,406	1,708,724
Unrealized foreign exchange gain on loan	(66,320)	-
	(4,427,371)	(5,178,434)
Changes in non-cash working capital		
Increase in accounts payable and accrued liabilities.	(157,695)	(142,130)
Increase in deposits and other current assets	551,170	(353,350)
Cash Flows used in Operating Activities	(4,033,896)	(5,673,914)
Purchases of property, plant and equipment	(24,903)	(119,541)
Reverse acquisition of Kenadyr Mining (Holdings) Corp., net of cash	-	184,342
Loan issued to Real Gold	(855,671)	-
Cash Flows provided by (used in) Investing Activities	(880,574)	64,801
Proceeds from issuance of common shares, net of share issuance costs	1,672,000	-
Proceeds from exercise of warrants	60,575	1,502
Cash Flows provided by Financing Activities	1,732,575	1,502
Changes in Cash	(3,181,895)	(5,607,611)
Foreign Exchange on Cash	297,930	(126,740)
Cash – Beginning of the year	3,404,017	9,138,368
Cash – End of the year	\$ 520,052	\$ 3,404,017

The accompanying notes are integral to these consolidated financial statements



KENADYR
KENADYR MINING (HOLDINGS) CORP.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

(Expressed in Canadian Dollars, except per share amounts)

	Common Shares			Share based payment Reserve	Foreign currency translation reserve	Deficit	Total
	Number of Shares	Amount	Reserves				
Balance – December 31, 2017	83,951,913	\$ 17,873,420	\$ 236,911	\$ 1,533,724	\$ (83,685)	\$ (11,358,505)	\$ 8,201,865
Net loss for the year	-	-	-	-	-	(4,789,598)	(4,789,598)
Shares issued for cash	8,360,000	1,630,200	41,800	-	-	-	1,672,000
Share issuance costs	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	297,930	-	297,930
Common shares issued on exercise of warrants	500,000	72,542	(11,966)	-	-	-	60,576
Expiration of warrants	-	86,549	(86,549)	-	-	-	-
Share based payment expense	-	-	-	588,406	-	-	588,406
Balance – December 31, 2018	92,811,913	\$ 19,662,711	\$ 180,196	\$ 2,122,130	\$ 214,245	\$ (16,148,103)	\$ 6,031,179
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	3,549,599	1,242,359	-	-	-	-	1,242,359
Services	500,000	175,000	-	-	-	-	175,000
Warrants exercised	4,290	1,945	(443)	-	-	-	1,502
Stock based payment expense	-	-	-	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

The accompanying notes are integral to these consolidated financial statements



**KENADYR
KENADYR MINING (HOLDINGS) CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017**

(expressed in Canadian dollars)

1. General Information

Kenadyr Mining (Holdings) Corp. (formerly Javelle Capital Corp.) (“Kenadyr Holdings” or the “Corporation”) was incorporated on November 2, 2010 under the Business Corporation Act of the Province of British Columbia. 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 10), 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, 2018, 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 \$4,789,598 for the year ended December 31, 2018 and has a working capital of \$1,159,451 at December 31, 2018. The Corporation had cash of \$520,052 at December 31, 2018, 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
KENADYR MINING (HOLDINGS) CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017**

(expressed in Canadian dollars)

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 30, 2019.

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 18, 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.



4. Significant Accounting Policies (Continued)

(c) Property Plant and Equipment

i) Recognition and measurement

Items of property, plant and equipment are measured initially at cost, unless they are acquired as part of a business combination in which case they are initially measured at fair value. Thereafter, property, plant and equipment are recorded net of accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, estimated decommissioning provisions and borrowing costs on qualifying assets.

Cost may also include any gain or loss realized on foreign currency transactions directly attributable to the purchase or construction of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment. The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized within other expense or income in earnings.

ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized and recorded as depreciation expense. The cost of maintenance and repair expenses of the property, plant and equipment are recognized in earnings as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of the asset, that component is depreciated separately. Land is not depreciated. Depreciation is recognized in earnings on a straight line or declining balance basis, which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term. Depreciation methods, useful lives, economic lives and residual values are reviewed annually and adjusted if appropriate.



**KENADYR MINING (HOLDINGS) CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017**

(expressed in Canadian dollars)

(d) 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, 2018 and 2017.

(e) 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.



**KENADYR MINING (HOLDINGS) CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017**

(expressed in Canadian dollars)

4. Significant Accounting Policies (Continued)

(f) 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 proceeds from issuance of units are allocated between common shares and warrants based on the residual method. Under this method, the proceeds are allocated first to share capital based on the fair value as determined by the quoted bid price of the common shares and any residual value is allocated to the reserve.

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.

(g) 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.

(h) 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.



**KENADYR
KENADYR MINING (HOLDINGS) CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017**

(expressed in Canadian dollars)

4. Significant Accounting Policies (Continued)

(i) 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.

(j) 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.



**KENADYR
KENADYR MINING (HOLDINGS) CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017**

(expressed in Canadian dollars)

4. Significant Accounting Policies (Continued)

(k) 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.

(l) Financial Instruments

Effective from January 1, 2018 the Company adopted IFRS 9 replacing IFRS 39. There was not a material impact from the adoption of IFRS 9. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and digital assets are measured at FVTPL.

Impairment of financial assets

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.



**KENADYR
KENADYR MINING (HOLDINGS) CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017**

(expressed in Canadian dollars)

4. Significant Accounting Policies (Continued)

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset,

discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable, due to shareholder, and convertible debentures are classified under other financial liabilities and carried on the statement of financial position at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

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.



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5. Significant Accounting Judgments and Estimates (continued)

- *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.

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6. Recent accounting standards issued but not yet effective

The Corporation has reviewed amendments to accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation:

IFRS 16 - Leases

This new standard was issued with the objective to recognize all leases on the balance sheet. IFRS 16 requires lessees to recognize a “right of use” asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted. The Corporation is currently assessing the impact these standards and amendments may have on its 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 meet 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, 2018	December 31, 2017
Deposits	\$ 626,685	\$ 1,199,516
Value-Added Tax Receivable	71,258	49,598
	\$ 697,944	\$ 1,249,114

Deposits consist primarily of cash paid in advance for drilling.



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9. Loan receivable

	December 31, 2018	December 31, 2017
Loan advanced	\$ 921,992	\$ -
	\$ 921,992	\$ -

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 (\$693,937CAD) 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 9 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 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 (\$161,734 CAD) as a short-term loan to Realgold. All other differences are a result of change in foreign exchange rates.

Kenadyr and Realgold shares common management and directors (Note 20).

10. Exploration and Evaluation Asset

	Balance, December 31, 2017	Balance, December 31, 2018
Borubai Project	\$ 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.



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10. Exploration and Evaluation Asset (continued)

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, 2018, the share redemption liability was \$nil (December 31, 2017 - \$nil).

As a result of the revised Purchase Agreement, the Corporation has a contingent liability to pay the Bonus Payment. As at December 31, 2018, the Bonus Payment contingent liability is not yet determinable.

11. Property and Equipment

	Equipment
Cost	
As at December 31, 2016	\$ 23,547
Additions	130,209
Disposals	(1,017)
As at December 31, 2017	\$ 152,739
Additions	26,148
Disposals	-
As at December 31, 2018	\$ 178,887
Accumulated depreciation	
As at December 31, 2017	\$ -
Depreciation	(21,638)
Disposals	-
As at December 31, 2017	\$ (21,638)
Depreciation	(39,758)
Disposals	-
As at December 31, 2018	\$ (61,396)
Net Book Value	
As at December 31, 2018	\$ 117,491

Equipment consists primarily of surveying and office equipment.

12. Accounts Payable and Accrued Liabilities

	December 31, 2018	December 31, 2017
Accounts Payable	\$ 8,459	\$ 61,860
Accrued Liabilities	50,085	154,381
	\$ 58,544	\$ 216,241

Included in accounts payable are amounts totalling \$nil (2017 - \$19,127) due to related parties (see Note 20).



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13. Share Capital

(a) Authorized Share Capital

The Corporation is authorized to issue an unlimited number of common shares without par value. At December 31, 2018, the Corporation had 92,811,913 common shares outstanding.

(b) Issued Share Capital

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

- On May 30, 2018, the Corporation issued 8,360,000 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).

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

- 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.
- 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).
- 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.



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14. 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, 2016	USD \$0.25	4,633,044
Warrants exercised	USD \$0.35	(4,920)
Warrants expired	UDS \$0.35	(2,178,124)
Balance – December 31, 2017	\$0.18	2,450,000
Warrants issued	\$0.35	8,360,000
Warrants exercised	USD \$0.10	(500,000)
Warrants expired	USD \$0.10	(1,500,000)
Warrants expired	USD \$0.25	(450,000)
Balance – December 31, 2018	\$0.35	8,360,000

The expiry of warrants are as follows:

Grant Date	Expiry Date	Number of warrants issued	Weighted Average Exercise Price
May 30, 2018	May 30, 2020	8,360,000	\$0.35
		8,360,000	\$0.35

During the year ended December 31, 2018, the Corporation issued 8,360,000 share purchase warrants (see Note 13). 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.

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.

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.



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15. 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 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
Stock options vested	\$0.80	-	588,406
Balance – December 31, 2018	\$0.80	8,385,000	\$ 2,122,130

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.

For the year ended December 31, 2018, the Corporation recognized share based payment expense of \$588,406 (2017 - \$1,708,724) related to the vesting of these options

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
\$0.80	8,385,000	3.8	\$0.80	5,231,000	\$0.80



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16. Exploration and Evaluation Expenditures

Exploration and evaluation expenditures incurred for the Year ended December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Drilling	\$ 2,302,654	\$ 1,777,472
Exploration support and administration	175,218	315,870
Field Operations and consumables	34,238	118,616
Geological consulting	243,805	183,628
Sampling and Geological costs	151,190	182,412
Transportation	178,192	169,862
Travel and accommodation	48,358	114,875
	\$ 3,133,655	\$ 2,862,735

17. Income Tax

Income tax reconciliation

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

	Year ended December 31, 2018	Year ended December 31, 2017
Loss before income taxes	\$ (4,484,323)	\$ (8,191,624)
Statutory tax rate	27%	26%
Expense at statutory rate	(1,221,000)	(2,129,822)
Effect of different foreign statutory rates	721,000	586,153
Permanent differences	192,000	708,183
Net change in benefits of tax attributes previously not recognized	298,000	834,698
Other	-	788
Income tax expense (recovery)	\$ -	\$ -

As at December 31, 2018 and 2017, the Company has \$nil deferred tax asset (liabilities).

Tax Attributes Not Recognized

	Year ended December 31, 2018	Year ended December 31, 2017
Non-capital losses	\$ 9,242,000	\$ 8,656,796
Share issuance costs	313,340	1,025,234
Other	184,830	139,140
Total	\$ 9,740,170	\$ 9,821,169



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17. Income Tax (continued)

As at December 31, 2018, 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
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
2038	609,948	-	609,948
	<u>\$ 5,294,925</u>	<u>\$ 3,947,075</u>	<u>\$ 9,242,000</u>

18. 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 December 31, 2018, the Corporation has the warrant liability as level 2 financial liabilities. The Corporation does not any have level 3 financial assets or liabilities. The fair value of warrant liability at December 31, 2018 is \$nil (2017 - \$198,371).

There were no transfers between level 1 and 2 during the year ended December, 2018 and 2017.

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 19.

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.



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18. Financial Instruments (continued)

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 19.

As at December 31, 2018, the Corporation had a cash balance of \$520,052 to settle current liabilities of \$58,544. 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 December 31, 2018 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 \$1,500.

19. 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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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 Year ended December 31, 2018 and 2017, the Corporation paid and/or accrued the following fees to key management personnel:

	December 31, 2018	December 31, 2017
Management	\$ 231,449	\$ 243,928
Directors	81,170	155,261
	\$ 312,619	\$ 399,189

Additional to fees paid to management personnel, there were also share based payments of \$182,617 and \$119,797 paid to management and directors respectively (2017 - \$475,167 and \$292,960). Key management includes the Corporation's Board of Directors and members of senior management.

(b) Due to Related Parties

As at December 31, 2018, the Corporation has \$nil accounts payable due to related parties (December 31, 2017 - \$14,127).

(c) Loan to Realgold

Kenadyr and Realgold shares similar management and directors. Please see Note 9 for additional details on the loan to Realgold.

21. Subsequent Events

- (d) On March 4, 2019, Kenadyr amended the exercise price of an aggregate of 2,980,000 incentive stock options originally granted on April 27, 2017 for a period of 5 years to various employees and consultants of the Corporation, also subject to 20% vesting on the date of grant and 20% vesting each 6 months thereafter over a 5 year period from the date of original grant from \$0.80 to \$0.10 (Note 15).