



**KENADYR MINING (HOLDINGS) CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**

**(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. ("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.**  
**CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2020 (UNAUDITED) AND DECEMBER 31, 2019**

(expressed in Canadian Dollars)

	SEPTEMBER 30, 2020	DECEMBER 31, 2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 154,233	\$ 237,883
Deposits and other current assets (Note 6)	127,754	136,787
	281,987	374,670
<b>Non-Current Assets</b>		
Exploration and evaluation asset (Note 7)	3,832,245	3,832,245
Property and equipment (Note 8)	58,938	80,158
Deposits (Note 6)	-	419,086
	4,173,170	4,706,159
<b>Total Assets</b>	<b>4,173,170</b>	<b>4,706,159</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 164,887	\$ 173,615
	164,887	173,615
<b>Total Liabilities</b>	<b>164,887</b>	<b>173,615</b>
<b>Shareholders' Equity</b>		
Common Shares (Note 10)	20,650,463	20,174,972
Warrant reserve (Note 11)	185,141	220,837
Share based payment reserve (Note 12)	2,379,663	2,370,859
Foreign currency translation reserve	132,555	160,906
Deficit	(19,339,539)	(18,395,030)
	4,008,283	4,532,544
<b>Total Liabilities and Shareholders' Equity</b>	<b>4,173,170</b>	<b>4,706,159</b>

Nature and Continuance of Operations (Note 2)  
Subsequent Event (Note 18)

Approved on behalf of the Board of Directors

/s/ Tim McCutcheon

Tim McCutcheon, Director

/s/ Michael Velletta

Michael Velletta, Director



**KENADYR**

**KENADYR MINING (HOLDINGS) CORP.**

**CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)**

*(expressed in Canadian Dollars)*

	THREE MONTHS ENDED SEPTEMBER 30, 2020	THREE MONTHS ENDED SEPTEMBER 30, 2019	NINE MONTHS ENDED SEPTEMBER 30, 2020	NINE MONTHS ENDED SEPTEMBER 30, 2019
<b>OPERATING EXPENSES</b>				
Consulting	\$ 41,600	\$ 57,712	\$ 169,119	\$ 197,056
Depreciation	6,247	9,263	19,683	28,323
Exploration and evaluation expenditures (Note 14)	12,982	80,518	44,395	304,898
Foreign exchange (gain)/loss	3,888	(32,071)	10,063	(49,882)
General and administrative expenses	35,892	59,416	186,466	148,352
Investor relations	-	-	3,450	3,000
Legal and professional fees	33,198	2,698	73,741	40,661
Share based payment expense (Note 12)	2,298	-	8,804	69,000
Travel	-	-	9,881	34,300
<b>Operating Loss</b>	<b>\$ (136,105)</b>	<b>\$ (177,536)</b>	<b>\$ (525,602)</b>	<b>\$ (775,708)</b>
<b>Other</b>				
Interest income	179	-	179	-
Write off of deposit (Note 6)	-	-	(419,086)	-
<b>Net Loss for the period</b>	<b>\$ (135,926)</b>	<b>\$ (177,536)</b>	<b>\$ (944,509)</b>	<b>\$ (775,708)</b>
<b>Other Comprehensive Income</b>				
Foreign currency translation	(30,540)	(1,019)	(28,351)	(21,284)
<b>Total Comprehensive Loss</b>	<b>\$ (166,466)</b>	<b>\$ (178,555)</b>	<b>\$ (972,860)</b>	<b>\$ (796,992)</b>
<b>Basic and diluted loss per share</b>	<b>\$(0.00)</b>	<b>\$(0.00)</b>	<b>\$(0.01)</b>	<b>\$(0.01)</b>
<b>Weighted average number of shares outstanding (basic and diluted)</b>	<b>116,449,545</b>	<b>94,655,644</b>	<b>108,964,855</b>	<b>93,428,749</b>

The accompanying notes are integral to these consolidated financial statements



**KENADYR**  
**KENADYR MINING (HOLDINGS) CORP.**  
**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)**

*(expressed in Canadian Dollars)*

	<b>NINE MONTHS ENDED SEPTEMBER 30, 2020</b>	<b>NINE MONTHS ENDED SEPTEMBER 30, 2019</b>
Net loss for the period	\$ (944,509)	\$ (775,708)
Adjustments for items not affecting cash		
Depreciation	19,683	28,323
Share based payment expense	8,804	-
Write-off of deposit	419,086	69,000
Unrealized foreign exchange gain on RealGold Loan	-	(9,872)
	(496,936)	(688,257)
Changes in non-cash working capital		
Increase in accounts payable and accrued liabilities.	50,172	214,886
Increase in deposits and other current assets	9,032	(14,812)
<b>Cash Flows used in Operating Activities</b>	<b>(437,732)</b>	<b>(488,183)</b>
Proceeds from issuance of common shares, net of share issuance costs	380,895	605,411
<b>Cash Flows provided by Financing Activities</b>	<b>380,895</b>	<b>605,411</b>
<b>Changes in Cash</b>	<b>(56,837)</b>	<b>117,228</b>
<b>Foreign Exchange on Cash</b>	<b>(26,813)</b>	<b>(21,284)</b>
<b>Cash – Beginning of the period</b>	<b>237,883</b>	<b>520,052</b>
<b>Cash – End of the period</b>	<b>\$ 154,233</b>	<b>\$ 615,996</b>

The accompanying notes are integral to these consolidated financial statements



**KENADYR**  
**KENADYR MINING (HOLDINGS) CORP.**  
**CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)**

*(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				
<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, 2019</b>	101,642,413	\$ 20,174,972	\$ 220,837	\$ 2,370,859	\$ 160,906	\$ (18,395,030)	\$ 4,532,544
Net loss for the period	-	-	-	-	-	(944,509)	(944,509)
Shares issued for cash	13,334,632	236,395	144,500	-	-	-	380,895
Shares issued for debt settlement	1,472,500	58,900	-	-	-	-	58,900
Expiry of warrants	-	180,196	(180,196)	-	-	-	-
Other comprehensive loss	-	-	-	-	(28,351)	-	(28,351)
Share based payment (note 12)	-	-	-	8,804	-	-	8,804
<b>Balance – September 30, 2020</b>	116,449,545	\$ 20,650,463	\$ 185,141	\$ 2,379,663	\$ 132,555	\$ (19,339,539)	\$ 4,008,283

The accompanying notes are integral to these consolidated financial statements



**KENADYR**  
**KENADYR MINING (HOLDINGS) CORP.**  
**NOTES TO CONDENSED ITERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (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”.

The Corporation, through its subsidiary, 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 7), and is the operator of all related mineral exploration activities.

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, 2020, 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 \$944,509 for the three months ended September 30, 2020 and has a working capital of \$117,100 at September 30, 2020. The Corporation had cash of \$154,233 at September 30, 2020, 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 MINING (HOLDINGS) CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)**

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*(expressed in Canadian dollars)*

### **3. COVID 19 Assessment**

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Corporation's business activities. The extent to which the coronavirus may impact the Corporation's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Corporation cannot determine their financial impact at this time.

### **4. 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, 2019. These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 26, 2020.

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 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 155, 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

### **5. Significant Accounting Policies**

The Corporation's accounting policies are the same as those applied in the Corporation's annual consolidated financial statements for the year-ended December 31, 2019. These condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements for the year ended December 31, 2019.



**KENADYR MINING (HOLDINGS) CORP.**  
**NOTES TO CONDENSED ITERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)**

(expressed in Canadian dollars)

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

	September 30, 2020	December 31, 2019
Deposits	\$ 62,715	\$ 61,339
Value-Added Tax Receivable	65,039	75,448
	127,754	136,787
Deposits – non-current	-	419,086
	\$ 127,754	\$ 555,873

During the nine months ended September 30, 2020, the Corporation wrote off the deposit of \$419,086 (USD \$307,203).

**7. Exploration and Evaluation Asset**

	September 30, 2020	December 31, 2019
<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.

As a result of the revised Purchase Agreement, the Corporation has a contingent liability to pay the Bonus Payment. As at September 30, 2020, the Bonus Payment contingent liability is not yet determinable.



**KENADYR MINING (HOLDINGS) CORP.**  
**NOTES TO CONDENSED ITERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)**

(expressed in Canadian dollars)

**8. Equipment**

	<b>Equipment</b>	
<b>Cost</b>		
As at December 31, 2018 and December 31, 2019	\$	178,887
Additions		-
Foreign exchange on translation		(6,710)
<b>As at September 30, 2020</b>		<b>172,177</b>
<b>Accumulated depreciation</b>		
As at December 31, 2018	\$	(61,396)
Depreciation		(37,333)
As at December 31, 2019	\$	(98,729)
Depreciation		(19,683)
Foreign exchange on translation		5,173
<b>As at September 30, 2020</b>	<b>\$</b>	<b>(113,239)</b>
<b>Net Book Value</b>		
As at December 31, 2019		80,158
As at September 30, 2020	\$	58,938

Equipment consists primarily of surveying and office equipment.

**9. Accounts Payable and Accrued Liabilities**

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Accounts Payable	\$ 150,987	\$ 135,058
Accrued Liabilities	13,900	38,557
	<b>\$ 164,887</b>	<b>\$ 173,615</b>

Included in accounts payable are amounts totalling \$21,874 (2019 - \$109,132) due to related parties (see Note 17).

**10. Share Capital**

**(a) Authorized Share Capital**

The Corporation is authorized to issue an unlimited number of common shares without par value. At September 30, 2020, the Corporation had 116,449,545 common shares outstanding.



**KENADYR**  
**KENADYR MINING (HOLDINGS) CORP.**  
**NOTES TO CONDENSED ITERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)**

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*(expressed in Canadian dollars)*

**10. Share Capital (continued)**

**(b) Issued Share Capital**

During the nine months ended September 30, 2020, the Corporation issued common shares as follows:

- On May 15, 2020, the Corporation closed a private placement unit offering issuing 13,334,632 units for gross proceeds of \$400,039. Each unit is comprised of one common share at \$0.03 per share and a share purchase warrant exercisable into one common share of the Corporation at \$0.05 per share for 24 months.

The Corporation paid finder's fees of \$19,184 and issued 639,474 finder warrants, each of which entitles the holder to purchase one common share at a price of \$0.05 for one year expiring May 15, 2021.

- On June 3, 2020, the Corporation issued 1,472,500 common shares at a fair value of \$0.04 per share for the settlement of \$58,900 in debt.

During the year ended December 31, 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. The proceeds from the issuance were allocated between the common shares (\$651,775) and warrants (\$21,025) based on the residual method.

In connection with the offering, the Corporation incurred share issuance costs of \$66,074 in legal fees, \$53,824 cash financing fees, and issued 420,500 units corporate finance advisory fees at a fair value of \$33,640. Each unit issued for the settlement of corporate finance advisory fees is comprised of one common share and one-half warrant that 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. The fair value of the share purchase warrants is \$2,192, calculated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.58%, an expected life of 11 months, an expected volatility of 75% and no expected dividends. The expected volatility was determined using the average historical volatility of the Corporation.

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. The fair value of the compensation warrants and the share purchase warrants is \$17,424, calculated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.58%, an expected life of 11 months, an expected volatility of 75% and no expected dividends. The expected volatility was determined using the average historical volatility of the Corporation.



**KENADYR MINING (HOLDINGS) CORP.**  
**NOTES TO CONDENSED ITERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)**

(expressed in Canadian dollars)

**11. 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, 2018 and September 30, 2019	\$0.35	8,360,000
Share purchase warrants issued	\$0.12	4,415,250
Compensation warrants issued	\$0.08	672,800
Compensation warrants issued	\$0.12	336,400
Balance – December 31, 2019	\$0.26	13,784,450
Share purchase warrants issued	\$0.05	13,974,106
Share purchase warrants expired	\$0.35	(8,360,000)
Balance - September 30, 2020	\$0.07	19,398,556

The expiry of warrants are as follows:

Grant Date	Expiry Date	Number of warrants issued	Weighted Average Exercise Price
September 11, 2019	September 11, 2021	5,424,450	\$0.12
May 15, 2020	May 15, 2021	639,474	\$0.05
May 15, 2020	May 15, 2022	13,334,632	\$0.05
		19,398,556	\$0.07

During the nine months ended September 30, 2020, the Corporation issued 13,334,632 share purchase warrants (Note 10). Residual value of \$133,300 was recorded in equity.

During the year ended September 30, 2020, the Corporation issued 639,474 share purchases warrants for the settlement of corporate finance advisory fees of \$11,300 (Note 10). The incremental fair value of the warrants issued was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 0.26%, an expected life of 11 months, an expected volatility of 133% and no expected dividends. The expected volatility was determined using the average historical volatility of the Corporation. The total fair value of \$11,200 was recorded in equity.

During the year ended December 31, 2019, the Corporation issued 4,205,000 share purchase warrants (Note 10). Residual value of \$21,025 was recorded in equity.

During the year ended December 31, 2019, the Corporation issued 210,250 share purchases warrants for the settlement of corporate finance advisory fees of \$35,832 (Note 10). The total fair value of the advisory fees was recorded in equity.

During the year ended December 31, 2019, the Corporation issued 672,800 compensation warrants (Note 10). Underlying each compensation warrant is one half share purchase warrant, for a total of an additional 336,400 share purchase warrants. The incremental fair value of the warrants issued was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.59%, an expected life of 11 months, an expected volatility of 75% and no expected dividends. The expected volatility was determined using the average historical volatility of the Corporation. The total fair value of \$17,424 was recorded in equity.



**KENADYR MINING (HOLDINGS) CORP.**  
**NOTES TO CONDENSED ITERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)**

*(expressed in Canadian dollars)*

**12. 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>
Balance – December 31, 2018	\$0.80	8,385,000
Stock options cancelled	\$0.80	(8,385,000)
Stock options issued	\$0.10	7,620,000
Stock options vested	\$0.80	-
Balance - December 31, 2019	\$0.10	7,620,000
Stock options vested	\$0.10	-
Balance – September 30, 2020	\$0.10	7,620,000

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. 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 \$191,670.

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.

On December 12, 2019, the Corporation issued 500,000 stock options expiring December 12, 2024 with an exercise price of \$0.10. 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 1.67% per annum, an expected life of options of 2.5 years, an expected volatility of 86%, and no expected dividends. The fair value of the options of \$979 was recorded as a share-based payment expense.

On December 24, 2019, the Corporation issued 1,000,000 stock options expiring December 24, 2024 with an exercise price of \$0.10. 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 78%, and no expected dividends. The fair value of the options of \$1,374 was recorded as a share-based payment expense.

In addition, the Corporation recorded \$50,006 in stock-based compensation (2018 – \$588,406) for stock options that were issued in the year ended December 31, 2017 and vested during the year ended December 31, 2019.



**KENADYR MINING (HOLDINGS) CORP.**  
**NOTES TO CONDENSED ITERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)**

(expressed in Canadian dollars)

**12. 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	1.80	\$0.10	5,980,000	\$0.10
\$0.10	140,000	3.68	\$0.10	140,000	\$0.10
\$0.10	500,000	4.45	\$0.10	500,000	\$0.10
\$0.10	1,000,000	4.49	\$0.10	1,000,000	\$0.10
	7,620,000	2.36	\$0.10	7,620,000	\$0.10

**13. Performance Share Units**

During the year ended December 31, 2019, the Corporation issued 2,032,848 performance share units (“PSU”) to the CEO of the Corporation. The PSU may vest upon the completion of the acquisition of mineral property licenses in Kyrgyzstan. As at September 30, 2020, no PSU’s have vested.

**14. Exploration and Evaluation Expenditures**

Exploration and evaluation expenditures incurred for the three and nine months ended September 30, 2020 and 2019 are as follows:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Exploration support and administration	\$ 12,982	\$ 35,419	\$ 44,395	\$ 108,347
Geological consulting	-	38,510	-	137,046
Sampling and Geological costs	-	6,589	-	54,091
Transportation	-	-	-	5,414
	\$ 12,982	\$ 80,518	\$ 44,395	\$ 304,898



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*(expressed in Canadian dollars)*

## **15. 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, 2020, 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 three months ended September 30, 2020 and 2019.

### **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 16.

#### ***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 16.

As at September 30, 2020, the Corporation had a cash balance of \$154,233 to settle current liabilities of \$164,887. 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, 2020 to interest rate risk through its other financial instruments.



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(expressed in Canadian dollars)

**15. Financial Instruments (continued)**

**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 \$260.

**16. 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.

**17. Related Party Transactions**

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

**(a) Key Management Personnel Compensation**

During the three months ended September 30, 2020 and 2019, the Corporation paid and/or accrued the following fees to key management personnel:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Management	\$ 77,811	\$ 42,712	\$ 234,922	\$ 158,647
Directors	837	19,843	3,234	66,135
	<b>\$ 78,648</b>	<b>\$ 62,555</b>	<b>\$ 238,156</b>	<b>\$ 224,782</b>

Additional to fees paid to management personnel, there were also share based payments of \$5,571 and \$3,234 paid to management and directors respectively (2019 - \$20,361 and \$13,357). Key management includes the Corporation's Board of Directors and members of senior management.

**(b) Due to Related Parties**

As at September 30, 2020, the Corporation has \$21,874 accounts payable due to related parties (2019 - \$109,132).



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*(expressed in Canadian dollars)*

**18. Subsequent Events**

On November 13, 2020, the Corporation closed a first tranche private placement unit offering issuing 1,190,000 units for gross proceeds of \$59,500. Each unit is comprised of one common share at \$0.05 per share and a share purchase warrant exercisable into one common share of the Corporation at \$0.07 per share for 36 months.