



**KENADYR METALS CORP.
(FORMERLY KENADYR MINING HOLDING CORP.)**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

(EXPRESSED IN CANADIAN DOLLARS)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of Kenadyr Metals Corp.

Opinion

We have audited the consolidated financial statements of Kenadyr Metals Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity 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, 2022 and 2021, 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 audit 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 1 to the financial statements, which indicates that the Company incurred significant losses since inception and, as of December 31, 2022, had an accumulated deficit of \$24,425,186 and its current liabilities exceeded its current assets by \$959,402. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

May 3, 2023



KENADYR METALS CORP. (FORMERLY KENADYR MINING HOLDING CORP.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in Canadian Dollars)

<i>As at</i>	DECEMBER 31,		DECEMBER 31,	
	2022		2021	
ASSETS				
Current Assets				
Cash	\$	7,180	\$	29,464
Deposits and other current assets		4,046		4,114
Asset held for sale (Note 5)		40,671		-
		51,897		33,578
Non-Current Assets				
Equipment		-		13,021
Exploration and evaluation asset (Note 5)		-		3,832,245
Total Assets	\$	51,897	\$	3,878,844
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities (Note 6)	\$	898,280	\$	524,620
Loans payable (Note 7)		113,019		76,606
Total Liabilities		1,011,299		601,226
Shareholders' Equity				
Common Shares (Note 8)		20,828,997		20,828,997
Warrant reserve (Note 9)		63,741		63,741
Share based payment reserve (Note 10)		2,417,893		2,417,893
Foreign currency translation reserve		155,153		155,848
Deficit		(24,425,186)		(20,188,861)
		(959,402)		3,277,618
Total Liabilities and Shareholders' Equity	\$	51,897	\$	3,878,844

Nature of Operations and Going Concern (Note 1)
Subsequent events (Notes 1 and 16)

Approved on behalf of the Board of Directors

/s/ Tim McCutcheon
Tim McCutcheon, Director

/s/ Michael Velletta
Michael Velletta, Director

The accompanying notes are integral to these consolidated financial statements.



KENADYR METALS CORP. (FORMERLY KENADYR MINING HOLDING CORP.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

(expressed in Canadian Dollars)

	DECEMBER 31, 2022	DECEMBER 31, 2021
OPERATING EXPENSES		
Consulting (Note 12)	\$ 113,400	\$ 122,353
Depreciation	13,021	13,021
Exploration and evaluation expenditures	10,030	68,598
Foreign exchange gain	2,115	765
General and administrative expenses (Note 12)	220,834	251,894
Legal and professional fees	80,418	106,839
Share based payment expense (Notes 10 and 12)	-	36,566
Operating Loss	(439,818)	(600,036)
Other		
Interest	(6,139)	(1,606)
Other income	1,206	2,777
Impairment on exploration and evaluation asset (Note 5)	(3,791,574)	-
Write-off deposit	-	(50,000)
Net Loss	(4,236,325)	(648,865)
Other Comprehensive income		
Exchange difference on translating foreign operations	(695)	(3,179)
Comprehensive Loss	\$ (4,237,020)	\$ (652,044)
Basic and diluted loss per share	\$ (0.36)	\$ (0.05)
Weighted average number of shares outstanding (basic and diluted)		
	11,803,955	11,803,955

The accompanying notes are integral to these consolidated financial statements.



KENADYR
KENADYR METALS CORP. (FORMERLY KENADYR MINING HOLDING CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

(expressed in Canadian Dollars)

	DECEMBER 31,		DECEMBER 31,
	2022		2021
Net loss	\$ (4,236,325)	\$	(648,865)
Adjustments for items not affecting cash			
Depreciation	13,021		13,021
Impairment of exploration and evaluation asset	3,791,574		-
Interest expense	6,139		1,606
Share based payment expense	-		36,566
Write-off of deposit	-		50,000
	(425,591)		(547,672)
Changes in non-cash working capital			
Accounts payable and accrued liabilities	373,660		371,581
Deposits	-		12,953
Cash Flows used in Operating Activities	(51,931)		(163,138)
Proceeds from issuance of loan	31,459		75,000
Cash Flows used in Financing Activities	31,459		75,000
Foreign Exchange on Cash	(1,812)		(3,179)
Total Change in Cash after Foreign Exchange	(22,284)		(91,317)
Cash – Beginning	29,464		120,781
Cash – Ending	\$ 7,180	\$	29,464

During the year ended December 31, 2022, the Company did not pay cash for interest accrued.

The accompanying notes are integral to these consolidated financial statements.



KENADYR
KENADYR METALS CORP. (FORMERLY KENADYR MINING HOLDING CORP.)
CONSOLIDATED STATEMENTS OF CHANGE IN SHAREHOLDERS' EQUITY (DEFICIENCY)
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

(Expressed in Canadian Dollars)

	<u>Common Shares</u>		Reserves	Share based payment Reserve	Foreign currency translation reserve	Deficit	Total
	Number of Shares	Amount					
Balance – December 31, 2020	11,803,955	\$ 20,828,997	\$ 63,741	\$ 2,381,327	\$ 159,027	\$ (19,539,996)	\$ 3,893,096
Net loss for the year	-	-	-	-	-	(648,865)	(648,865)
Other comprehensive loss	-	-	-	-	(3,179)	-	(3,179)
Share based payment expense	-	-	-	36,566	-	-	36,566
Balance – December 31, 2021	11,803,955	\$ 20,828,997	\$ 63,741	\$ 2,417,893	\$ 155,848	\$ (20,188,861)	\$ 3,277,618
Net loss for the year	-	-	-	-	-	(4,236,325)	(4,236,325)
Other comprehensive loss	-	-	-	-	(695)	-	(695)
Share based payment expense	-	-	-	-	-	-	-
Balance – December 31, 2022	11,803,955	\$ 20,828,997	\$ 63,741	\$ 2,417,893	\$ 155,153	\$ (24,425,186)	\$ (959,402)

- (i.) Effective August 10, 2021, the Corporation consolidated its issued and outstanding common shares on a 10 to 1 basis which resulted in 11,803,955 shares outstanding post-consolidation. All references to common shares, stock options and warrants in these consolidated financial statements have been adjusted to reflect this change.

The accompanying notes are integral to these consolidated financial statements.



KENADYR METALS CORP (FORMERLY KENADYR MINING (HOLDINGS) CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(expressed in Canadian dollars)

1. Nature of Operation and Going Concern

Kenadyr Metals Corp. (“Kenadyr” or the “Corporation”) (formerly Kenadyr Mining Holding Corp.) 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, was 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 5), and is the operator of all related mineral exploration activities.

On December 29, 2022, the Corporation entered into an agreement for the sale of all of the outstanding shares of PIC Ala Too and Kuilu Joopekerchiligi chektelgen koomu (“Kuilu”) (together as the “Kyrgyz Subsidiaries”) for USD 30,000 and USD 1, respectively; including the mineral property licenses related to the Borubai project.

On December 29, 2022, the Corporation entered into a binding arrangement agreement (“the Agreement”) to acquire all of the outstanding shares of Karus Gold Corp. (“Karus”) in exchange for common shares of Kenadyr. This constitutes a Reverse Takeover (“RTO”) under the policies of the TSX-V of Kenadyr by Karus. Completion of this transaction is subject to shareholder and regulatory approval.

On August 10, 2021, the Corporation changed its name to Kenadyr Metals Corp and completed a share consolidation of its common shares on a ten for one basis. Post-consolidation the Corporation has unlimited shares with no par value, of which 11,803,955 shares are issued and outstanding. Loss per share figures disclosed and all references to common shares, stock options and warrants in these consolidated financial statements has been adjusted to reflect the share consolidation.

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.

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, 2022, the Corporation had not advanced its exploration and evaluation asset to commercial production and is not able to finance day-to-day activities through operations. The Corporation incurred significant losses since inception and, as of December 31, 2022, had an accumulated deficit of \$24,425,186 and its current liabilities exceeded its current assets by \$959,402, and 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 favorable terms and/or pursue other remedial measures. 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 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 METALS CORP (FORMERLY KENADYR MINING (HOLDINGS) CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

(expressed in Canadian dollars)

2. Basis of Preparation and Statement of Compliance

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These consolidated financial statements were approved by the Board of Directors on May 3, 2023.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and Presentation Currency

The consolidated financial statements have been prepared in Canadian dollars (“CAD”), which is the Corporation’s functional and presentation currency. The functional currency of the Corporation is Canadian dollars, and the functional currency of the PIC Ala-Too and Kuilu is the Kyrgyzstani Som (“KGS”).

Basis of consolidation

The Corporation’s consolidated financial statements include the accounts of the Corporation and its subsidiaries. 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.

Company	Place of Incorporation	Ownership
Kenadyr Mining Corporation	Canada	100%
Proektno Issledovatel'skii Centr Ala-Too LLC	Kyrgyz Republic	100%
Kuilu Joopekerchiligi chektelgen koomu	Kyrgyz Republic	100%

All inter-company transactions are eliminated on consolidation.



KENADYR
KENADYR METALS CORP (FORMERLY KENADYR MINING (HOLDINGS) CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(expressed in Canadian dollars)

3. Significant Accounting Policies

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

(a) 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 assets are tested for impairment and reclassified to mining properties under development.

At each reporting date, the exploration and evaluation asset is tested for indications of impairment. During the year ended December 31, 2022, the Corporation recorded impairment on the Kyrgyz property as it is reclassified as an asset held for sale (Note 5).

(b) 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 METALS CORP (FORMERLY KENADYR MINING (HOLDINGS) CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.



KENADYR METALS CORP (FORMERLY KENADYR MINING (HOLDINGS) CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

(h) Foreign Currencies

The consolidated financial statements are presented in Canadian dollars. The functional currency of the Corporation and its controlled entities are measured using the principal currency of the primary economic environment in which each entity operates. The functional currency of the Canadian entity is 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 OCI. On disposal of a foreign operation, the component of OCI relating to that foreign operation is reclassified to profit or loss.

(i) Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVOCI") or at amortized cost. The Corporation determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Corporation's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Corporation can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Corporation has opted to measure them at FVTPL.



KENADYR
KENADYR METALS CORP (FORMERLY KENADYR MINING (HOLDINGS) CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

(i) Financial Instruments

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 Corporation may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Corporation 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 Corporation's receivables.

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.



KENADYR
KENADYR METALS CORP (FORMERLY KENADYR MINING (HOLDINGS) CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

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 Corporation 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.

4. Significant Accounting Judgments and Estimates

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

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

- *Exploration and Evaluation Asset*

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

- *Going Concern*

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

- *Income taxes*

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



KENADYR METALS CORP (FORMERLY KENADYR MINING (HOLDINGS) CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(expressed in Canadian dollars)

4. Significant Accounting Judgments and Estimates

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.

- *Valuation of Share-Based Payments*

The Corporation uses the Black-Scholes Option Pricing Model for valuation of share-based payments. 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.

5. Exploration and Evaluation Asset / Held for Sale

	Borubai Project
Balance, December 31, 2020 and 2021	\$ 3,832,245
Impairment	(3,791,574)
Balance, December 31, 2022	\$ 40,671

Borubai Project – Kyrgyz Republic

The Corporation's exploration and evaluation asset consists of the Borubai Project, comprises of 3 licenses in the Chuy Region, Kyrgyz Republic.

On December 29, 2022, the Corporation entered into an agreement for the sale of all of the outstanding shares of PIC Ala-Too for proceeds of USD 30,000 (CAD 40,671). The sale is subject to closing of the RTO, TSX-V approval and shareholder approval. As a result of the agreement, the Corporation has impaired the exploration and evaluation asset to USD 30,000 (CAD 40,671) and reclassified it as an asset held for sale, and recorded an impairment change of \$3,791,574.



KENADYR METALS CORP (FORMERLY KENADYR MINING (HOLDINGS) CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(expressed in Canadian dollars)

6. Accounts Payable and Accrued Liabilities

	December 31, 2022	December 31, 2021
Accounts payable	\$ 704,279	\$ 480,375
Accrued liabilities	194,001	44,245
	\$ 898,280	\$ 524,620

Included in accounts payable are amounts totalling \$624,400 (2021 - \$317,582) due to related parties (see Note 12).

7. Loans Payable

	Loans Payable
Balance – December 31, 2020	-
Additions	75,000
Interest accrued	1,606
Balance – December 31, 2021	76,606
Additions	31,459
Interest accrued	4,954
Balance – December 31, 2022	113,019

The Corporation has loans with principal totaling \$103,300, of which \$75,000 was received during the year ended December 31, 2021. The loan is unsecured, has a 5% interest rate and is repayable on demand. The accrued interest on the loan during the year ended December 31, 2022 is \$4,954 (2021 - \$1,606).

The Corporation has a KGS 200,000 loan (CAD\$3,159) as at December 31, 2022. The loan is unsecured, has no interest and is repayable on demand.

8. Share Capital

(a) Authorized Share Capital

The Corporation is authorized to issue an unlimited number of common shares without par value.

(b) Share Consolidation

Effective August 10, 2021, the Corporation implemented a share consolidation (“Share Consolidation”) of its common shares on a 10 for 1 basis, which resulted in 11,803,995 shares outstanding post consolidation. All references to common shares, stock options and warrants in these consolidated financial statements have been adjusted to reflect this change.

(c) Issued Share Capital

During the years ended December 31, 2022 and 2021, the Corporation did not issue common shares.



KENADYR METALS CORP (FORMERLY KENADYR MINING (HOLDINGS) CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(expressed in Canadian dollars)

9. 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, 2020	\$0.70	2,058,855
Expired	\$1.10	(606,392)
Balance – December 31, 2021	\$0.52	1,452,463
Expired	\$0.50	(1,333,463)
Balance – December 31, 2022	\$0.70	119,000

Grant Date	Expiry Date	Number of warrants issued	Weighted Average Exercise Price
November 13, 2020	November 13, 2023	119,000	\$0.70
		119,000	\$0.70

10. 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
Balance – December 31, 2020	\$1.00	762,000
Stock options issued	\$1.00	175,000
Stock options expired	\$1.00	(100,000)
Balance – December 31, 2021	\$1.00	837,000
Stock options expired	\$1.00	(498,000)
Balance – December 31, 2022	\$1.00	339,000



KENADYR METALS CORP (FORMERLY KENADYR MINING (HOLDINGS) CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(expressed in Canadian dollars)

10. Stock Options (Continued)

On February 26, 2021, the Corporation issued 175,000 stock options to directors and officers of the Corporation. The options have an exercise price of \$1 and expire 3 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 0.14 % per annum, an expected life of options of 3 years, an expected volatility of 96%, and no expected dividends. The fair value of the options of \$33,900 was recorded as a share-based payment expense.

The Corporation recorded \$2,666 in stock-based compensation for stock options that were issued in the year ended December 31, 2019 and vested during the year ended December 31, 2021.

Stock 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
\$1.00	14,000	1.18	\$1.00	14,000	\$1.00
\$1.00	50,000	1.95	\$1.00	50,000	\$1.00
\$1.00	100,000	1.98	\$1.00	100,000	\$1.00
\$1.00	175,000	1.15	\$1.00	175,000	\$1.00
	339,000	1.59	\$1.00	339,000	\$1.00

11. Performance Share Units

During the year ended December 31, 2019, the Corporation issued 203,285 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 Kyrgyz Republic. As at December 31, 2022 and December 31, 2021, no PSU's have vested.



KENADYR METALS CORP (FORMERLY KENADYR MINING (HOLDINGS) CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(expressed in Canadian dollars)

12. 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, 2022 and 2021, the Corporation paid and/or accrued the following fees to key management personnel:

	December 31, 2022	December 31, 2021
Management	\$ 305,400	\$ 305,400
Directors	-	-
	305,400	305,400
Share based payments	-	36,566
	\$ 305,400	\$ 341,966

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

(b) Due to Related Parties

As at December 31, 2022, the Corporation has \$624,400 in accounts payable due to related parties (December 31, 2021 - \$317,582).

(c) Loan payable

As at December 31, 2022, the Corporation has a \$106,476 loan payable due to a director of the Corporation. The loan is unsecured, has a 5% interest rate and is repayable on demand.

13. Income Tax

Income tax reconciliation

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

	Year ended December 31, 2022	Year ended December 31, 2021
Loss before income taxes	\$ (4,236,325)	\$ (648,865)
Statutory tax rate	27%	27%
Expense at statutory rate	(1,144,000)	(175,000)
Effect of different foreign statutory rates	3,000	45,000
Permanent differences	-	(33,000)
Adjustment to prior years provision versus statutory tax returns	1,385,830	(332,000)
Net change in benefits of tax attributes previously not recognized	(244,830)	495,000
Income tax expense (recovery)	\$ -	\$ -

As at December 31, 2022 and 2021, the Corporation has \$nil recognized deferred tax asset (liabilities).



KENADYR METALS CORP (FORMERLY KENADYR MINING (HOLDINGS) CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(expressed in Canadian dollars)

13. Income Tax (Continued)

Tax Attributes Not Recognized

	Year ended December 31, 2022	Year ended December 31, 2021
Non-capital losses	\$ 11,911,000	\$ 12,069,000
Share issuance costs	4,000	59,000
Other	153,000	184,830
Total	\$ 12,068,000	\$ 12,312,830

As at December 31, 2022, the Corporation has non-capital losses of approximately \$8,139,000 for income tax purposes in Canada and \$3,772,000 in Kyrgyz Republic which are available to be carried forward to reduce taxable income in the future years with an expiry date of 2023 - 2042 and for which no deferred income tax asset has been recognized.

14. Financial Instruments

Financial Assets and Liabilities

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

As at December 31, 2022, 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 years ended December 31, 2022 and 2021.

Financial Instrument Risk Exposure

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

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.



KENADYR
KENADYR METALS CORP (FORMERLY KENADYR MINING (HOLDINGS) CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(expressed in Canadian dollars)

14. Financial Instruments (continued)

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

As at December 31, 2022, the Corporation had a cash balance of \$7,180 to settle current liabilities of \$1,011,299. 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, 2022 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 \$801.

15. Management of Capital

The Corporation's primary objectives in capital management are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders. 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. There has been no change in Management of Capital between the year ended December 31, 2022 and 2021.

16. Subsequent Events

Subsequent to the year ended December 31, 2022, the Corporation obtained a loan of \$40,000, interest bearing at 5% per annum, unsecured and due on demand.

Subsequent to the year ended December 31, 2022, the Corporation executed agreements for loans totaling 720,000 KGS (CAD\$11,374), of which 651,160 KGS (CAD\$10,286) have been received to date. The loans are non-interest bearing, unsecured and due within 5 years.