("K92" or "the Company")

FORM 51-102F1

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2019

Introduction

This Management's Discussion and Analysis ("**MD&A**") of K92 Mining Inc. (including its wholly owned subsidiaries, K92 Holdings International Limited (incorporated in British Virgin Islands), K92 Mining (Australia) Pty Ltd. (incorporated in Australia), and K92 Mining Ltd. (incorporated in Papua New Guinea)) is the responsibility of management and covers the year ended December 31, 2019. The MD&A takes into account information available up to and including March 26, 2020 and should be read together with the audited consolidated financial statements for the year ended December 31, 2019, which are available on the SEDAR website at www.sedar.com.

Throughout this document the terms *we, us, our, the Company* and *K92* refer to K92 Mining Inc. All financial information in this document is derived from the financial statements of the Company, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and is presented in United States dollars, unless otherwise indicated.

Additional information related to the Company is available for view on SEDAR and on the Company's website at www.k92mining.com.

This document contains forward-looking statements. Please refer to "Note Regarding Forward-Looking Statements." Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors, many of which are beyond our ability to control, that may cause our actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Please refer to "Risk Factors" below.

Description of Business

K92 Mining Inc. (the "**Company**") was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on March 22, 2010. The Company's shares are listed on Tier 1 of the TSX Venture Exchange ("**TSX-V**") under the symbol KNT and quoted on the OTCQX under the symbol KNTNF. The Company is currently engaged in the production of gold, copper and silver from the Kora North deposit from the Kainantu Gold Mine as well as exploration and development of mineral deposits in the immediate vicinity of the mine, including Blue Lake, in Papua New Guinea.

Performance Summary

Operational – 2019

- **Gold production growth of 74%** totaling 79,838 gold ounces or 82,256 gold equivalent (based on a gold price $1,300 per ounce; silver $16.50 per ounce; and copper $2.90 per pound) ("**AuEq**") ounces in 2019, compared to production of 45,810 gold ounces or 47,237 AuEq ounces in 2018. Production for 2019 exceeded the top end of updated production guidance of 72,000 to 80,000 AuEq ounces, which was originally 68,000 to 75,000 AuEq ounces.

- **Cash costs improved 16%** averaging $494 per gold ounce in 2019 versus $589 per gold ounce in 2018.[1]

- **All-in sustaining costs improved 16%** averaging $680 per gold ounce versus $809 per gold ounce in 2018.[1]

Operational – Q4 2019

- **Gold production growth of 40%** totaling 23,096 gold ounces or 23,646 AuEq ounces in Q4 2019, compared to production of 16,451 gold ounces or 16,844 AuEq ounces in Q4 2018.

- **Cash costs improved 10%** averaging $461 per gold ounce in Q4 2019 versus $510 per gold ounce in Q4 2018.[1]

- **All-in sustaining costs were flat** averaging $658 per gold ounce in Q4 2019 versus $660 per gold ounce in Q4 2018.[1]

Financial – 2019

- **Revenue growth of 91%** totaling $101.7 million in 2019 compared to $53.2 million in 2018. Sales of gold concentrate increased by 74% to 75,647 oz in 2019 from 43,462 in 2018 resulting in $40.8 million in higher revenues and realized gold prices increased by 13% to $1,433/oz in 2019 from $1,269/oz in 2018 resulting in $7.1 million in higher revenues.

- **Gross margin improved to 53%** in 2019 compared to 44% in 2018.

- **EBITDA growth of 122%** totaling $47.7 million in 2019 compared to $21.5 million in 2018.[1]

- **Operating cash flow (excluding working capital) growth of 119%** totaling $49.7 million in 2019 compared to $22.7 million in 2018.

- **Adjusted net income growth of 170%** totaling $24.6 million (Earnings Per Share ("**EPS**"): $0.12 per share) in 2019 compared to $9.1 million (EPS: $0.05 per share) in 2018.[1] Net income of $32.5 million (EPS: $0.16) in 2019 compared to $39.1 million (EPS: $0.22) in 2018 .

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[1] Cash costs, all-in sustaining costs, EBITDA and adjusted net income are non-IFRS measures computed below in the non-IFRS performance measures section.

- **Cash position of $21.6 million** at December 31, 2019 compared to $6.2 million at December 31, 2018.

Financial – Q4 2019

- **Revenue growth of 55%** totaling $33.4 million in Q4 2019 compared to $21.5 million in Q4 2018. Sales of gold concentrate increased by 29% to 22,754 oz in Q4 2019 from 17,579 in Q4 2018 resulting in $6.4 million in higher revenues and realized gold prices increased by 27% to $1,561/oz in Q4 2019 from $1,232/oz in Q4 2018 resulting in $5.8 million in higher revenues.

- **Gross margin improved to 58%** in Q4 2019 compared to 48% in Q4 2018.

- **EBITDA growth of 68%** totaling $18.5 million in Q4 2019 compared to $11.1 million in Q4 2018.[2]

- **Operating cash flow (excluding working capital) growth of 59%** totaling $18.1 million in Q4 2019 compared to $11.4 million in Q4 2018.

- **Adjusted net income growth of 513%** totaling $5.8 million (EPS: $0.03 per share) in Q4 2019 compared to $0.9 million (EPS: $0.01 per share) in Q4 2018.[2] Net income of $22.5 million (EPS: $0.11) in Q4 2019 compared to $33.5 million (EPS: $0.18) in Q4 2018 .

Corporate – 2019

- **Completed a bought deal private placement for $15.7 million** pursuant to which the Company issued 10,895,100 common shares.

- **Raised $15.0 million** by entering into a loan agreement with Trafigura Pvt. Ltd. ("**Trafigura**"), to be repaid over 2 years.

- **Amended the Share Sale Agreement** with Barrick Gold Corporation whereby the Company revised the contingent payment to a fixed payment of $12.5 million and eliminated the contingent payment arrangement under the terms of the share sale agreement dated June 11, 2014.

- **Paid out the remaining gold ounces** under the Gold Prepayment Agreement ("**GPA**") which formed part of the financing agreements with Cartesian Royalty Holdings ("**CRH**"). The Company now has no outstanding liabilities or obligations to CRH.

- **Extinguished the NSR royalty** held by CRH on the Kora and Irumafimpa deposits by making a $3.0 (CAD$4.0) million extinguishment payment.

- **Entered into a new offtake agreement** with Trafigura over a 9-year period ending February 11, 2028 or until 165,000 dry metric tonnes ("**DMT**") of concentrate has been delivered.

Expansion – YTD 2019

- **Filed a Preliminary Economic Assessment ("PEA").** See technical report filed on www.sedar.com, and our website, "Technical report (NI 43-101)" filed January 8, 2019. Key results of the PEA:

    - 13 year operating life and treat 4,900,000 tonnes at 9 g/t gold, 20 g/t silver and 1.3% copper.
    - Metal price assumptions of gold $1,300/oz, silver $16.50/oz and copper $2.90/lb.
    - Total production over the next 13 years would be 1,330,000 ounces of gold and 130,000,000 pounds of copper.
    - Total revenue for the period of over $2 billion.
    - Net undiscounted cash-flow would be $1.03 billion, NPV pre-tax of $710 million or after-tax $559 million.

[2] Cash costs, all-in sustaining costs, EBITDA and adjusted net income are non-IFRS measures computed below in the non-IFRS performance measures section.

- **Announced the Stage 2 Expansion** with plans to double the capacity at the Company's Kainantu Gold Mine to 400,000 tonnes per annum, increasing annual production to an average of 120,000 ounces of AuEq.

2019 Production Data

		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Tonnes processed	t	26,846	37,913	32,094	30,336	127,190
Feed grade Au	g/t	23.6	16.7	19.2	25.2	20.8
Feed grade Cu	%	0.48	0.34	0.32	0.35	0.37
Recovery (%) Au	%	93.70	93.20	94.1	93.9	93.7
Recovery (%) Cu	%	93.90	92.50	92.1	93.7	92.8
Metal in concentrate produced Au	oz	19,125	18,980	18,636	23,096	79,838
Metal in concentrate produced Cu	T	120	119	95	98	432
Metal in concentrate produced Ag	Oz	5,564	6,894	5,284	5,243	22,984
Gold equivalent ounces produced	Oz	19,788	19,652	19,170	23,646	82,256

Production guidance for 2020

Since March 2020, several measures have been implemented in Canada, Australia, Papua New Guinea and the rest of the world in response to the increased impact from the coronavirus ("COVID-19"). While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations, including the duration and impact on our future production, cannot be reasonably estimated at this time. To date there has been no significant impact on operations as a result of COVID-19, however a deterioration in the current situation could have an adverse impact on our business, results of operations, financial position and cash flows in 2020.

- Gold production for 2020 is expected to be between 110,000 and 120,000 ounces AuEq. The Company will be reviewing this over the coming month as the COVID-19 situation in Papua New Guinea develops.

- Production costs for the year, including cash costs between $520 and $580 per ounce gold and all-in sustaining costs between $720 and $780 per ounce gold are anticipated for the year ended December 31, 2020. The Company will be reviewing this over the coming month as the COVID-19 situation in Papua New Guinea develops.

Operations

The Company holds the mining rights to Mining Lease 150 ("**ML 150**") that is due to be renewed on June 13, 2024.

During the year ended December 31, 2019, the Company focused mining operations on the northern extension of the Kora deposit. During this period, the Company produced 79,838 ounces of gold, 952,396 pounds of copper and 22,984 ounces of silver or 82,256 ounces AuEq. The concentrate produced was trucked to the Port of Lae, at which point a provisional payment amounting to an aggregate of 90% of the total value of the shipment was received by K92. The remaining 10% is received when final assays, weights and prices are known.

The material mined and treated during the year which came from the Kora North K1 and K2 vein averaged a grade of 20.8 g/t gold and 0.37% copper. Recoveries for the year averaged 93.7% for gold and 92.8% for copper.

During the year ended December 31, 2018 an updated resource estimate was completed for Kora North based on results from underground grade control and exploration diamond drilling and face sampling. Refer to the Company's technical report titled, "Mineral Resource Estimate and Preliminary Economic Assessment of Kora North and Kora Gold Deposits, Kainantu Project, Papua New Guinea," dated January 7, 2019 with an effective date of September 03, 2018 authored by Nolidan Mineral consultants, H&S Consultants, Australian Mine Design and Development and Mincore. See table below.

Table 1 – Kora North Mineral Resources effective September 30, 2018:

Category	Tonnes	Au (g/t)	Au (Oz)	Ag (g/t)	Ag (Oz)	Cu (%)	Cu (000's lbs)	AuEq (g/t)	AuEq (Oz)
Measured	154,000	18.7	92,600	8.9	44,100	0.5	1,600	19.6	97,000
Indicated	690,000	11.6	257,300	14.1	312,800	0.8	11,800	12.9	286,200
Total M&I	844,000	12.9	349,900	13.1	356,900	0.7	13,400	14.1	383,200
Total Inferred	1,920,000	10.7	660,500	13.3	821,000	0.7	29,500	11.9	734,600

Note: Gold Equivalent (AuEq) calculation uses Copper price US$2.90/lb; Silver price US$16.50/oz and Gold price of US$1300/oz

Capital Expenditure

As part of the Stage 2 Expansion, the Company has:

- Progressed towards the final stages of the 400,000 tonnes per annum ("**tpa**") process plant with expected construction completion in March 2020 and commissioning in April 2020.
- Spent $15.9 million in expansion costs and $4.3 million in twin incline costs in 2019.
- Budgeted $16.5 million in expansion costs and $6.5 million in twin incline costs in 2020. As at the date of this report the Company has spent $1.1 million in expansion costs.
- Completed installation and commenced commissioning of a gravity circuit which is expected to increase recoveries. Various testing programs are underway to maximize effectiveness of the gravity circuit and gold recovery.
- Completed the upgrade to the primary ventilation system and underground electrical reticulation, for a ~3x increase in ventilation fan power, resulting in a more than 100% increase in flow rates and immediate improvement to the mining cycle and operational flexibility.
- Received additional key pieces of equipment in late-2019 early 2020, including new production long hole drill, second LH517i loader, twin boom autodrill development jumbo and integrated emulsion charging unit.
- Commenced preparation for development of the Kainantu Twin Incline with earthworks underway.

Mining capital update for 2019

The expansion of the mining fleet to enable the expanded production rate of 400,000 tpa is well progressed with the following equipment engaged:

- Materials Handling
  - Sandvik LH517i UG LHD loader on site and operational
  - Two Caterpillar AD45B (45 tonne) low profile trucks on site and operational
  - One Sandvik LH517i loader on site and operational
  - One Sandvik EJC 430 (30 tonne) low profile on site and operational

- Drill and Blast
  - Two Sandvik twin boom jumbos on site and operational:
    - One Sandvik DD420 twin boom jumbo
    - One Sandvik DD421 twin boom jumbo
  - Sandvik DL421-15C long hole production drill rig on site and commissioning
  - Sandvik DD422i Platinum twin boom development (Autodrill capable) jumbo on site and commissioning
  - One Minecat integrated emulsion charging unit on site and operational

- Mine Services
  - One Getman Underground Grader on site and operational
  - Two Caterpillar loaders (930K & 924K) on site and operational

Mining capital update early 2020

The mining fleet is planned to expand further in early 2020, including the acquisition of:

- Third Caterpillar AD45B (45 tonne) low profile truck expected to arrive in Q1 2020
- Third Sandvik LH517i loader with teleremote automine expected to arrive in Q2 2020
- Sandvik DS421 cable bolter expected to arrive in Q2 2020
- Jacon X5 underground cement truck expected to arrive in Q1 2020
- Modular batching plant expected to arrive in Q2 2020

Management will utilize this fleet to both expand the production rates to 400,000 tpa and to engage the new twin incline project in Q1 2020.

Process Plant

The plant expansion includes the installation of a new gravity circuit and gold room, a larger secondary crusher, a cleaner-recleaner circuit and an update to the process control system which includes various pumps, pipes and the installation of various ancillary equipment.

The gravity circuit and gold room was installed in Q3 2019 and the new secondary crusher was installed in Q1 2020. The focus is on the installation of the flotation tanks, with foundations and tanks installed and piping and electrical installations underway. Completion of the plant expansion is in the final stages, with commissioning expected to begin in early Q2 2020.

Infrastructure

In 2019, Kainantu's underground mine infrastructure was considerably upgraded and expanded, with several key projects completed including:

- Installation of two 132 kW fans, which replaced the two 55 kW fans in December 2019. This represents a ~3x increase in fan power. To date, primary underground ventilation flow-rates have increased more than 100%, providing an immediate improvement to the mining cycle and operational flexibility.
- Main incline debottlenecking program completed in Q3 2019, with areas of the incline widened and the excavation of three bypass drives to improve traffic management and equipment efficiencies.
- New underground magazine at the 1210 mRL level 90% completed in December 2019 and commissioned in Q1 2020.
- Bulk emulsion charging system implemented in Q2 2019, increasing development advance rates by over 0.5m per cut and making Kainantu the first mine in PNG to introduce full underground emulsion charging systems.
- Establishment of seven sublevels between 1150 mRL to 1245 mRL. This represents a considerable increase to mine operational flexibility. In 2018, Kainantu had only three sublevels established, and the majority of production came from the 1185 mRL level.

There are several additional projects underway including:

- Construction of equipment maintenance workshop and office at portal, with completion of office in Q1 2020 and completion of a workshop expected in Q3 2020.
- New high-tech underground communications system including wifi, personnel tracking, advanced remote equipment communications and real-time safety tracking system. Completion expected in Q2 2020.

The camp has also been expanded over the past 12 months from the previous capacity of 450 persons to 600 persons. The most recent construction of a new 64-man block, including ablutions was completed in July 2019 and a new kitchen and mess complex was completed and commissioned in Q1 2020.

Twin Incline

Early earthworks for the two 3-km twin inclines have commenced with incline development expected to commence in Q1 2020. The design for the twin incline could handle production of up to 2 million tonnes per annum.

Exploration

Underground grade control and exploration

The Company continued its underground grade control and exploration drilling program at the Kora north deposit utilizing five diamond drill rigs to complete a total of 73 drill holes. The results from this program were primarily intended to upgrade the known resource and provide grade control information for mine planning. The Company plans to release an updated mineral resource in the first half of 2020.
The best results for 2019 include hole KMDD0147A of 13.00 m at 288.73 g/t Au, 104 g/t Ag and 0.77% Cu (291.34 g/t AuEq, 6.15 m true width) and hole KMDD0147A of 13.60 m at 107.55 g/t Au, 103 g/t Ag and 1.50% Cu (111.34 g/t AuEq, 6.44 m true width).

Please see the Company's news release dated February 20, 2020 for the most recent results from the underground grade control and exploration program.

Surface Exploration

Surface exploration work during 2019 was focused on Blue Lake (EL470), Yompossa (Yanabo) (EL470) and Irumafimpa/Kokomo (EL693) prospects.

Blue Lake

K92 has now completed all ten planned drilled holes along a prescribed section at Blue Lake, with the objective to identify vectors towards porphyry mineralization.

The drilling confirms the presence of a large gold-copper mineralized porphyry system, where an advanced argillic lithocap overlies extensive prograde porphyry style alteration and mineralization. The fence, mostly drilled at 200m spacing, returned significant gold/copper intercepts in several holes and the width of the mineralized halo (c. 0.2% Cu) is interpreted to be approximately 800m in diameter.

A detailed assessment of the drill core and surface exposures was undertaken by consultants, both on site and externally, including comprehensive petrological studies, spectrometer alteration mapping and geochemical/structural modelling. All appraisals collectively support the Company's recognition of a major intrusive complex at the Blue Lake Prospect, constituting the root of a flow-banded, fractured dacite dome cut by hydrothermal breccias and late mineral porphyritic dacite dykes trending north-east. Intense, layered advanced argillic alteration extends down (c. 300m) to approximately 1300 m elevation. Beneath the lithocap, prograde alteration (predominately propylitic and phyllic assemblages of magnetite-chlorite-epidote-sericite), is distinctly zoned. Porphyry stockwork quartz veins are common, increasing in intensity with depth in each of the drill holes.

An abundance of porphyry features, including gold-copper mineralization, suggests that a quality target may occur at an accessible depth. Consequently, a further drill campaign scheduled to commence in 2020 Q1 will aim to delineate the lateral extent of the gold-copper mineralized shell at shallow to moderate levels, before embarking on a series of deeper holes targeting the inferred higher grade porphyry core.

Please see the Company's news release dated December 19, 2019 for latest results on the Company's Blue Lake exploration program.

Qualified Persons

K92 Mine Geology and Mine Exploration manager, Andrew Kohler, PGeo, a qualified person under the meaning of Canadian National Instrument 43-101 – Standards Disclosure for Mineral Projects ("**NI 43-101**"), has reviewed and is responsible for the technical content in the underground grade control and exploration section of the MD&A. Data verification by Mr. Kohler includes significant time onsite reviewing drill core, face sampling, underground workings, and discussing work programs and results with geology and mining personnel.

K92 Vice-President of Exploration Chris Muller, PGeo, a qualified person under the meaning of NI 43-101, has reviewed and is responsible for the technical content in the surface exploration, Blue Lake and Yompossa sections of this MD&A. Data verification by Mr. Muller includes significant time on site reviewing drill core, soil and outcrop sampling, artisanal workings, as well as discussing work programs and results with geology personnel and external consultants.

Community Relations

During the year ended December 31, 2018, the first formal Memorandum of Agreement ("**MOA**") review meeting was held with landowner groups, Mineral Resources Authority ("**MRA**") and local government. In 2019, a second meeting was held involving only the Company and landowner groups to maintain progress towards finalizing a new agreement. The meetings were positive and significant progress was made towards finalizing a new MOA between the parties.

A number of joint venture agreements were signed between landowner groups and service providers during the year ended December 31, 2019, enabling four major contracts to be finalized between the Company and the joint venture companies for the long terms supply of services, including road transportation, security, ancillary mobile plant and catering and camp services.

The Company also provides scholarships to support children from landowners to undertake studies at tertiary institutions. A total of 11 students were provided scholarships in 2018 and increased to 56 scholarships in 2019. In addition, the Company signed an Agreement with the University of Technology in Lae, PNG covering areas of mutual benefit including financial support for the university, work experience for students and undergraduates and technical cooperation and project generation.

The Company is continuing to work with the landowner representative bodies to evaluate opportunities to participate in and benefit from the operations of the Company. Through participative forums we also look for opportunities to contribute to the development and wellbeing of the communities.

The Company is currently progressing on the following community programs: establishing freshwater systems for local communities, providing funding for a medical clinic including a nurse and medicines, refurbishing and performing maintenance on four other medical clinics, launching an agricultural livelihood and training program with the purpose of providing greater nutritional knowledge to the local community, and providing literacy classes.

Personnel

The Company expanded its human resource base at the corporate level in June 2019 appointing David Medilek to the role of Vice President, Business Development and Investor Relations. David is a mining professional with over 12 years of mining capital markets, corporate strategy and technical experience. David began his career as a mining engineer with Barrick Gold Corp. in Western Australia for over four years, with a focus on underground mining. After Barrick, David joined Cormark Securities Inc. as a mining investment banker for over four years, gaining extensive capital raising, and merger and acquisition experience. Following this and prior to joining K92, David was an equity research analyst at Macquarie Group Ltd., covering precious metals mining companies. David holds a Bachelor of Applied Science in mining engineering with distinction from the University of British Columbia, a professional engineer designation in the province of British Columbia and is a CFA charterholder.

The Company appointed Philip Samar to the role of Vice President External and Corporate Affairs in January 2019. Philip is a Mining Engineer who has held numerous roles in Government and was most recently the Managing Director of the Mineral Resources Authority of Papua New Guinea, a position he held since 2012.

The Company also appointed Cyndi Laval to its Board of Directors in November 2019. Cyndi is a partner in Gowling WLG's Vancouver office and past leader of the firm's national Corporate Finance, M&A and Private Equity Group, as well as a former co-leader and current member of its Mining Group. She has over 25 years of experience specializing in the areas of mining law, corporate finance, mergers and acquisitions, and securities.

Safety

The Company believes that excellence in occupational health and safety performance is a critical part of developing a successful mining operation and mining company. The belief is reflected in the continuing focus of management, employees and contractors on this critical area. The Company achieved 1,296 days of no Lost Time Injuries ("**LTI**") to December 19, 2019. An LTI case was reported on December 20, 2019 with the employee returning to work within a short period after the injury.

Selected Annual Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the consolidated financial statements.

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Net income (loss)	$ 32,542,453	$ 39,056,954	$ (12,069,037)
Revenue	101,692,600	53,160,754	-
Basic income (loss) per share	0.16	0.22	(0.08)
Diluted income (loss) per share	0.16	0.20	(0.08)
Total assets	154,990,122	87,768,526	42,036,745
Working capital (deficiency)	25,045,884	3,992,004	(10,096,135)
Total long-term liabilities	8,116,986	2,690,536	6,129,132

Results of Operations for the year ended December 31, 2019 as compared to December 31, 2018

During the year ended December 31, 2019, the Company had net income of $32,542,453 (2018 – $39,056,954). Significant items making up the income, and changes from the prior year, are as follows:

Revenue of $101,692,600 (2018 - $53,160,754) from the sale of gold concentrate in Papua New Guinea. The increase in revenue is largely attributed to increased production and higher realized gold prices in 2019, as well as the fact the Company declared commercial production February 1, 2018 resulting in January 2018 production recorded as pre-production revenue in property, plant and equipment. At December 31, 2019, the total number of gold ounces in inventory increased by 3,882 to 4,165 (2018 – 283) primarily due to higher levels of moisture requiring the concentrate inventory to be held at site for additional drying. This buildup in inventory resulted in lower realized revenue figures had the inventory been realized in the year ended December 31, 2019 and will be realized as sales during the period ending March 31, 2020.

Cost of sales of $48,015,928 (2018 - $29,759,236) consisting of mining, processing, mine technical services, maintenance, finance and admin at site, operational health and safety, depreciation and net smelter royalties. The increase in cost of sales is attributable to the increase in production versus the prior year.

Gross profit of $53,676,672 (2018 - $23,401,518), which is calculated subtracting cost of sales from revenue.

Consulting and administrative of $2,212,703 (2018 – $2,314,626). The decrease was mainly due to prior year one-time costs in Papua New Guinea, offset by a current year increase in professional fees related to CRH and Barrick negotiations and management fees and administrative costs related to new corporate hires discussed under the Personnel section.

Exploration and evaluation expenditures of $7,931,984 (2018 – $1,793,486) related to drilling, assaying, trenching, surveying and other related expenditures on the Company's exploration licenses. The increase compared to the comparative year is due to increased exploration activities and the completion of numerous diamond drill holes at Kora North and the Blue Lake porphyry prospect.
Share-based payments of $2,634,172 (2018 - $1,484,928) representing option grants to directors, employees and consultants of the Company. The increase in share-based payments relates to an increase in the valuation of options granted in 2019 primarily due to the increase in the Company's share price versus the prior year.

Interest and finance expense of $1,865,083 (2018 – $416,576). This represents interest and finance expenses recorded on the loan, interest recorded on lease agreements, interest recorded on concentrate sales, and the estimated fair value of interest on the gold prepayment liability that would be paid if the prepayment was a loan. The increase compared to the comparative year was primarily due to interest recorded on the loan and interest recorded on concentrate sales.

Fair value loss on gold purchase agreement of $1,022,359 (2018 – gain of $110,118). This movement relates to the fair value adjustment on the CRH gold prepayment. The increase was driven by an increase in the gold price during the year ending December 31, 2019.

Amortization of deferred loss of $7,484,270 (2018 - $4,410,269). The difference of cash received and the initial fair value of the gold prepayment liability of $15,534,971 was originally recorded as a deferred loss and amortized to the statement of operations over the units of production. This amount represents the remaining amortization of the deferred loss when the Company transferred the final 10,272 (2018 – 6,053) gold ounce credits or cash equivalent to CRH during the year ended December 31, 2019.

Income tax recovery of $3,184,255 (2018 – $26,470,433) recognized during the year to be used against future income earned over the life of the mine in Papua New Guinea. The Company recognized the tax asset to the extent recovery is considered probable. In assessing the probably of recovery, taxable profit projections, derived from cash flows from detailed life-of-mine and production plans were evaluated.

Summary of Quarterly Results

The following table summarizes the last 8 quarters of the Company.

	December 31, 2019 (Unaudited)	September 30, 2019 (Unaudited)	June 30, 2019 (Unaudited)	March 31, 2019 (Unaudited)
Total assets	$ 154,990,122	$ 132,109,862	$ 103,895,333	$ 90,951,224
Working capital	25,045,884	17,904,288	11,930,482	13,368,613
Shareholders' equity	124,690,438	101,006,021	85,012,208	76,098,984
Revenue	33,416,021	20,989,036	23,293,370	23,994,173
Net income (loss)	22,542,720	(389,139)	5,288,706	5,100,166
Net income (loss) per share, basic	0.11	(0.00)	0.03	0.03
Net income (loss) per share, diluted	0.10	(0.00)	0.03	0.03
	December 31, 2018 (Unaudited)	September 30, 2018 (Unaudited)	June 30, 2018 (Unaudited)	March 31, 2018 (Unaudited)
Total assets	$ 87,768,526	$ 55,079,970	$ 52,852,117	$ 48,611,997
Working capital (deficiency)	3,992,004	(2,787,376)	(16,339)	(1,974,720)
Shareholders' equity	69,806,096	35,863,017	36,442,993	29,470,526
Revenue	21,510,445	9,390,081	13,734,023	8,526,205
Net income (loss)	33,499,660	(1,831,372)	4,071,596	3,317,070
Net income (loss) per share, basic	0.18	(0.01)	0.02	0.02
Net income (loss) per share, diluted	0.18	(0.01)	0.02	0.02

Revenue has been recognized in all quarterly periods during 2019 and 2018 as the Company declared commercial production effective February 1, 2018. The three months ended December 31, 2018 also included a $26,470,433 deferred income tax recovery. The net losses for September 30, 2018 and September 30, 2019 were both attributable to the amortization of deferred loss, fair value loss on gold purchase agreement, and share-based payments in addition to accretion and interest which are all non-cash transactions.

Results of Operations for the three months ended December 31, 2019 as compared to December 31, 2018

During the three months ended December 31, 2019, the Company had income of $22,542,720 (2018 – $33,499,660). The prior year income included a deferred income tax recovery of $26,470,433. Significant items making up the income, and changes from prior periods, are as follows:

Revenue of $33,416,021 (2018 - $21,510,445) from the sale of gold concentrate in Papua New Guinea. The increase in revenue is largely attributed to increased production and higher realized gold prices in 2019. At December 31, 2019, the total number of gold ounces in inventory increased by 3,882 to 4,165 (2018 – 283) primarily due to higher levels of moisture requiring the concentrate inventory to be held at site for additional drying. This buildup in inventory resulted in lower realized revenue figures had the inventory been realized in the year ended December 31, 2019 and will be realized as sales during the period ending March 31, 2020.

Cost of sales of $13,946,246 (2018 - $11,278,900) consisting of mining, processing, mine technical services, maintenance, finance and admin at site, operational health and safety, depreciation and net smelter royalties.

Gross profit of $19,469,775 (2018 - $10,231,545), which is calculated subtracting cost of sales from revenue.

Exploration and evaluation expenditures of $2,610,527 (2018 – $560,113) related to drilling, assaying, trenching, surveying and other related expenditures on the Company's exploration licenses. The increase compared to the comparative year is due to increased exploration activities and the completion of numerous diamond drill holes at Kora North and the Blue Lake porphyry prospect.

Consulting and administrative of $502,184 (2018 – $975,237). The decrease was mainly due to prior year one-time costs in Papua New Guinea, offset by an increase in current year administrative costs related to new corporate hires discussed under the Personnel section.

Interest and finance expense of $1,129,574 (2018 - $116,757). The increase was primarily due to interest recorded on concentrate sales and interest recorded on the loan.

Share-based payments of $760,652 (2018 - $192,739) representing option grants to directors, employees and consultants of the Company. The increase in share-based payments relates to an increase in the valuation of options granted in 2019 primarily due to the increase in the Company's share price versus the prior year.

Fair value loss on gold purchase agreement of $nil (2018 – gain $14,525). This movement relates to the fair value adjustment on the CRH gold prepayment. The remaining gold ounces were settled in the quarter ended September 30, 2019 resulting in no fair value adjustments during the period.

Amortization of deferred loss of $nil (2018 - $1,457,218). The difference of cash received and the initial fair value of the gold prepayment liability of $15,534,971 was originally recorded as a deferred loss and is being amortized to the statement of operations over the units of production. The remaining gold ounces were settled in the quarter ended September 30, 2019 resulting in no amortization of the deferred loss during the period.

Non-IFRS Performance Measures

This document includes certain non-IFRS performance measures that do not have a standardized meaning prescribed by IFRS. These measures may differ from those used by other issuers, and may not be comparable to such measures as reported by other issuers. The Company believes that these measures are commonly used by certain investors, in conjunction with conventional IFRS measures, to enhance their understanding of the Company's performance. These measures have been derived from the Company's financial statements and applied on a consistent basis. The following tables below provide a reconciliation of these non-IFRS measures to the most directly comparable IFRS measure.

Cash Costs per Ounce

Cash costs of sales include all costs absorbed into concentrate inventory, treatment, refining and transportation costs, less non-cash items such as depreciation. Total cash cost per ounce sold is calculated by dividing the aggregate of the applicable costs by gold ounces sold. Site cash costs of production include all costs absorbed into inventory less non-cash items such as depreciation. Site cash costs per ounce produced are calculated by dividing the aggregate of the applicable costs by gold ounces produced. These measures are calculated on a consistent basis for the period presented.

All-in Sustaining Cost per Ounce

All-in sustaining costs of sales include all cash costs above plus accretion costs of environmental provisions, corporate costs and sustaining capital expenditures. Total all-in sustaining cost per ounce sold is calculated by dividing the aggregate of the applicable costs by gold ounces sold. These measures are calculated on a consistent basis for the period presented.

	Three months ended December 31, 2019	Three months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2018
Cost of Sales[1]	$13,946,246	$ 11,278,900	$ 48,015,928	$ 29,759,236
Add: pre-production costs for January[1]	-	-	-	1,761,854
Less: depreciation	(3,178,553)	(1,972,638)	(9,064,701)	(4,070,324)
Less: by-product credits	(278,335)	(342,722)	(1,571,261)	(1,172,656)
Cash cost of sales	10,489,358	8,963,540	37,379,966	26,278,110
Add: accretion	40,749	-	164,867	150,659
Add: treatment and refining costs	839,745	230,301	2,835,879	641,663
Add: corporate costs	502,184	975,237	2,212,703	2,314,626
Add: capital expenditures[2]	3,097,323	1,429,228	8,826,688	6,707,541
All-in sustaining costs	14,969,359	11,598,306	51,420,103	36,092,599
Gold ounces, sold	22,754	17,579	75,647	44,593
Cash cost per gold ounce, sold	$461	$510	$ 494	$589
All-in sustaining cost per gold ounce, sold[3]	$658	$660	$ 680	$809

[1] Costs for January 2018 in the pre-production phase prior to commercial production were added back in order to calculate cash costs and all-in sustaining costs for the year.

[2] Purchases of property, plant and equipment for the year ended December 31 from the statement of cash flows of $28,326,524 (2018 - $18,181,658), plus PPE amounts in AP related to expansion costs $431,143 (2018 - $Nil), plus deposits for equipment $317,802 (2018 - $Nil), less deposits for equipment related to expansion costs $49,892 (2018 - $Nil), less expansion costs of $20,198,888 (2018 - $9,729,889).

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)

EBITDA is profit attributable to shareholders before net finance expense, provision for income taxes, and depreciation and amortization. EBITDA is used as a supplemental financial measure by management and by external users of our MD&A, such as investors, industry analysts, lenders and ratings agencies, to assess the Company's operating performance as compared with the operating performance of other companies in our industry, without regard to financing methods, historical cost basis or capital structure. The IFRS measure most directly comparable to EBITDA is Net Income. EBITDA should not be considered an alternative to net income or loss or any other measure of financial performance or liquidity presented in accordance with IFRS.

	Three months ended December 31, 2019	Three months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2018
Income for the period	$ 22,542,720	$ 33,499,660	$ 32,542,453	$39,056,954
Add: Deferred income tax	(8,212,040)	(26,470,433)	(3,184,255)	(26,470,433)
Add: Amortization of deferred loss	-	1,457,218	7,484,270	4,410,269
Add: Amortization of property, plant and equipment	3,079,360	2,449,068	8,965,508	4,070,324
Add: Interest	1,129,574	116,757	1,865,083	416,576
EBITDA	$ 18,539,614	$ 11,052,270	$ 47,673,059	$ 21,483,690

Adjusted Income and Adjusted Earnings Per Share

Adjusted net income and adjusted earnings per share are non-IFRS measures that the Company considers to better reflect normalized earnings because it eliminates items that in Management's judgement are subject to volatility as a result of factors which are unrelated to operations in the period.

The following table shows a reconciliation of adjusted net income for the three months and year ended December 31, 2019 and 2018, to the net earnings for each period.

	Three months ended December 31, 2019	Three months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2018
Income for the period	$ 22,542,720	$ 33,499,660	$ 32,542,453	$ 39,056,954
Add: Deferred tax adjustment	(16,876,521)	(34,387,433)	(16,876,521)	(34,387,433)
Add: Fair value adjustment	-	(14,525)	1,022,359	(110,118)
Add: Amortization of deferred loss	-	1,457,218	7,484,270	4,410,269
Add: Unrealized foreign exchange	89,893	263,443	(178,338)	(305,375)
Add: Interest on the GPA	-	120,655	331,099	430,606
Add: Contract expenditures	-	-	264,590	-
Adjusted income	$ 5,756,092	$ 939,018	$ 24,589,912	$ 9,094,903
Adjusted earnings per common share	$ 0.03	$ 0.01	$ 0.12	$ 0.05
Adjusted diluted earnings per common share	$ 0.03	$ -	$ 0.12	$ 0.05
Weighted average shares for the period	212,816,366	181,361,850	202,236,651	76,311,452
Weighted average diluted shares for the period	221,695,949	196,341,670	209,583,083	91,291,272

Liquidity

As at December 31, 2019, the Company had a cash and cash equivalents balance of $21,611,980 (December 31, 2018 - $6,205,616) and working capital of $25,045,884 (December 31, 2018 - $3,992,004), which consisted of current assets of $47,228,582 (2018 - $19,263,898) and current liabilities of $22,182,698 (December 31, 2018 - $15,271,894).

Operating Activities: During the year ended December 31, 2019, the Company generated $26,930,650 from operating activities compared to $18,138,250 for the year ended December 31, 2018.

Investing Activities: During the year ended December 31, 2019, the Company paid $12,500,000 (2018 - $Nil) to eliminate the contingent payment owing to Barrick, plus $275,139 in agent fees related to the amending agreement with Barrick, plus $3,014,659 (2018 - $Nil) to extinguish the NSR held by CRH on the Kora and Irumafimpa deposits, plus $28,326,524 (2018 - $18,181,658) in property, plant, and equipment plus $317,802 (2018 - $Nil) for deposits on equipment and $Nil (2018 - $106,449) in lease payments and collected $Nil (2018 - $3,690,501) from its pre-production gold sales, which is the revenue earned in January, 2018 before the Company declared commercial production.

Financing Activities: During the year ended December 31, 2019 the Company collected $14,611,673 (2018 - $4,702,850) in net proceeds from a private placement, $14,631,113 (2018 - $Nil) in net proceeds from a loan entered into with Trafigura, $3,083,302 (2018 - $3,066,120) from the exercise of warrants and

$2,293,317 (2018 - $301,998) from the exercise of stock options. The Company paid $1,428,572 (2018 - $Nil) in principal loan payments and $418,084 (2018 - $Nil) in principal lease payments.

The Company intends to use funds generated from operations for ongoing operating and capital expenditures including its minimum lease payments in Papua New Guinea and office lease in Vancouver.

Related Party Transactions

Key management compensation consists of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and the Board of Directors. During the below period, key management or companies they controlled compensation paid or accrued is presented in the table below:

Year ended	December 31, 2019	December 31, 2018
Share-based compensation	$ 1,285,034	$ 981,023
Management, consulting and wages	1,016,594	754,398
Professional fees	282,725	24,841

Included in accounts payable and accrued liabilities is $3,417 (2018 - $150,810) due to directors, officers, and companies controlled by directors and officers of the Company that is non-interest bearing and due on demand.

Subsequent Events

Subsequent to December 31, 2019, the Company:

a) Granted 2,234,000 stock options with an exercise price of CAD$3.85 exercisable until February 3, 2025 and 50,000 stock options with an exercise price of CAD$3.76 exercisable until March 6, 2025;

b) Received CAD$903,408 from the exercise of 1,052,000 stock options; and

c) Paid $2,526,241 of principal and accrued interest to Trafigura as repayment of the Loan (Note 11).

Outstanding Share Data

As at the date of this report the Company had 242,143,163 common shares issued and outstanding.

The following incentive stock options were outstanding at the date of this report:

Number	Exercise price (CAD)	Expiry date
3,699,000	$ 0.45	May 20, 2021
100,000	1.93	July 29, 2021
1,790,000	1.00	December 5, 2021
2,370,000	0.65	October 23, 2022
120,000	0.60	November 28, 2022
1,750,000	0.85	March 9, 2023
1,563,200	0.74	November 19, 2023
216,000	1.10	January 31, 2024
2,026,500	1.67	May 30, 2024
619,800	1.85	July 4, 2024
1,246,600	1.92	September 16, 2024
150,000	2.10	September 23, 2024
50,000	2.13	October 1, 2024
225,000	2.17	November 22, 2024
15,960,100		

Off-Balance Sheet Arrangements

At December 31, 2019, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Proposed Transactions

Except as elsewhere disclosed in this document, there are no other proposed transactions under consideration.

Capital Resources

In the past the Company has raised capital in public markets by issuing common shares pursuant to private placements, through the sale of gold prepayments, through the issuance of preferred shares, and through loans payable. The Company 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. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

Risk Factors

K92 is engaged in mineral exploration and development activities which, by their nature, are speculative due to the high risk nature of the business and the present stage of the development of the Project. Any investment in the common shares of K92 should be considered a highly speculative investment due to the nature of the Company's business. Such risk factors could materially affect K92's future financial results and could cause actual results and events to differ materially from those described in forward looking statements and forward looking information relating to K92 or the business, property or financial results, any of which could cause investors to lose part or all of their investment in K92. For a detailed discussion of the risk factors associated with the Company please see "Financial risk factors" below and consult the risk factors section of the

Company's Management Information Circular dated April 15, 2016 and filed under the Company's profile on SEDAR at www.sedar.com.

Changes in Accounting Policies including Initial Adoption

IFRS 16 – Leases

The Company adopted IFRS 16 - Leases ("**IFRS 16**") on January 1, 2019. The objective of the new standard is to eliminate the classification of leases as either operating or financing leases for a lessee and report all leases on the statement of financial position. The only exemption to this is for leases that are one year or less in duration or for leases of assets with low values. Under IFRS 16 a lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligations to make lease payments. IFRS 16 also changes the nature of expenses relating to leases, as lease expenses previously recognized for operating leases are replaced with depreciation expense on capitalized right-of-use assets and finance or interest expense for the corresponding lease liabilities associated with the capitalized right-of-use leased assets.

The Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption. For all leases, the lease liability was measured at January 1, 2019 as the present value of any future minimum lease payments discounted using the appropriate incremental borrowing rate. The associated right of use assets were measured at the amount equal to the lease liability on January 1, 2019. The Company's accounting for finance leases remained substantially unchanged.

The following leases accounting policies have been applied as of January 1, 2019 on adoption of IFRS 16. For comparative periods prior to 2019, we applied leases policies in accordance with IAS 17, Leases and IFRS 4, Determining Whether an Arrangement Contains a Lease.

At inception of a contract, we assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We assess whether the contract involves the use of an identified asset, whether we have the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if we have the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, we allocate the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, we recognize a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.
The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit.

As part of the initial application of IFRS 16, we have elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

We adopted IFRS 16 as at January 1, 2019 in accordance with the transitional provisions outlined in the standard, using a cumulative catch-up approach where we have recorded leases from that date forward and have not restated comparative information. Recognition of leases under IFRS 16 included in Note 9 to the consolidated financial statements.

We have recorded right-of-use assets of $448,236 within property, plant and equipment, measured at either an amount equal to the lease liability or their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using our incremental borrowing rate on January 1, 2019. We have recorded lease liabilities of $448,236 as at January 1, 2019. IFRS 16 eliminates the classification of leases as either operating or finance leases for a lessee, and all leases will be recorded on the statement of financial position for the lessee.

Reconciliation of lease liabilities as of January 1, 2019:

Reconciliation of lease liabilities	January 1, 2019
Future aggregate minimum lease payments under operating leases at December 31, 2018	$ 761,823
Effect of discounting at the incremental borrowing rate	(313,587)
Total lease liabilities as at January 1, 2019	$ 448,236

The weighted average incremental borrowing rate for lease liabilities initially recognized as of January 1, 2019 was 10%.

IFRIC 23 – Uncertainty over Income Tax Treatments

The Company adopted IFRIC 23 – Uncertainty over Income Tax Treatments on January 1, 2019. IFRIC 23 clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements requires management to make estimates about, and apply assumptions or judgment to, future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's consolidated financial statements are prepared.

Key sources of estimation uncertainty that have a risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next twelve months are summarized below:

Depletion and depreciation of property, plant and equipment

Property, plant and equipment is the largest component of the Company's assets and, as such, the depreciation of these assets has a significant effect on the Company's financial statements.

Mining plant and equipment and other capital assets are depreciated over their expected economic lives using either the units of production method or the straight-line method. Depletion of each mineral property interest is provided on the units of production basis using estimated measured and indicated ("M&I") and a portion of inferred resources as the depletion basis. Significant judgment is involved in the determination of useful lives of long-lived assets. A change in the estimated useful life or residual value of a long-lived asset would result in a change in the rate of deprecation for that asset.

For long-lived assets that are depleted or depreciated over the M&I and inferred resources using the units of production method, a change in the original estimate of the M&I or inferred resources would result in a change in the rate of depletion or depreciation.

Impairment indicator of property, plant and equipment

Property, plant and equipment are tested for impairment when events or changes in circumstance indicate that the carrying value may be higher than the recoverable amount. Judgement is required in assessing whether certain factors would be considered an indicator of impairment. Management considers both internal and external information to determine whether there is an indicator of impairment.

Achievement of Commercial Production

Once a mine reaches the operating levels intended by management, depreciation of capitalized costs begins. Significant judgment is required to determine when certain assets of the Company's reach this level. Management considers several factors including, completion of a reasonable period of commissioning, consistent operating results are being achieved at a pre-determined level of design capacity and production of pre-designed gold production.

Rehabilitation and restoration provision

The Company has obligations for the future restoration of its mining tenements. In most instances, removal of assets and restoration of surrounding area occurs many years into the future. This requires judgmental assumptions regarding removal date, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining removal cost, and asset specific discount rates to determine the present value of these cash flows.

Income tax

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. The Company determines if a deferred tax asset should be recorded and if so, estimates the amount through taxable income projection models. Changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Resources

Mineral resource estimates are based on various assumptions relating to operating matters set forth in National Instrument 43-101. These include production costs, mining and processing recoveries, cut-off grades, long term commodity prices, and inflation rates. Cost estimates are based on preliminary economic assessment estimates or operating or operating history, and estimates are prepared by appropriately qualified persons (as defined in National Instrument 43-101).

Estimated recoverable resources are used to determine the depreciation of property, plant and equipment, as an input to the projection of future taxable profits which support assessments of deferred income tax recoverability and to forecast the timing of the payment of decommissioning obligations.

Share-based payments

Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Determination of functional currency

The functional currencies of the Company and its subsidiaries are outlined in Note 3, Foreign Exchange. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. The determination of functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency if there are changes in events and conditions of the factors used in the determination of the primary economic environment.

Financial Instruments and Risk Management

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying values of cash, trade and other receivables, and trade and other payables approximate their fair values due to the short-term nature of these instruments. The amortized cost of the loan approximates its fair value due to the nature of the instrument.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. Expected credit losses on accounts receivables do not have a material impact on the Company's consolidated financial statements at December 31, 2019.

Liquidity risk

The Company has in place a planning and budgeting process to manage its liquidity risk and ensure it has sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had a cash and cash equivalents balance of $21,611,980 (2018 - $6,205,616), operating cash-flow for the year ended December 31, 2019 of $26,930,650 (2018 – $18,138,250) to settle current liabilities of $22,182,698 (2018 - $15,271,894). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash and cash equivalents balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at December 31, 2019, the Company did not have any investments in investment-grade short-term deposit certificates. The Company's Loan with Trafigura is exposed to interest rate risk as interest payments are calculated using the 3-month LIBOR rate. Based on the loan balance of $13,283,637 at December 31, 2019, for every 0.1% increase in LIBOR rates (10 basis point increase), annual net income would decrease by $13,284.

b) Foreign currency risk

The Company's foreign exchange risk arises from transactions denominated in currencies other than the Company's reporting currency, which is United States Dollars. Through this, the Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables, prepayments, accounts payable and accrued liabilities and reclamation and closure costs obligations that are denominated in Australian Dollars, Papua New Guinea Kina, United States Dollar and Canadian Dollars. The Company does not use 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. As these exchange rates fluctuate against the United States Dollar, the Company will experience foreign exchange gains and losses.

c) Price risk

The Company is exposed to commodity price risk from fluctuations in market prices of the commodities that the Company produces. Gold concentrate is "provisionally priced" whereby the selling price is subject to final adjustment at the end of a period normally ranging from 30 to 90 days after delivery to the customer. Revenue is recognized on provisionally priced sales based on estimates of fair value of the consideration receivable which is based upon current market prices. At each reporting date, the provisionally priced embedded derivative is marked to market based on the estimated settlement price.

Cautionary Statement Regarding Certain Measures of Performance

This MD&A presents certain measures, including "cash costs", "all-in sustaining costs", "EBITDA" and "adjusted income and adjusted earnings per share" that are not recognized measures under IFRS. This data may not be comparable to data presented by other gold producers. For a reconciliation of these measures to the most directly comparable financial information presented in the consolidated financial statements prepared in accordance with IFRS, see Non-IFRS Financial Performance Measures in this MD&A. The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in performing year over year comparisons. However, these non-IFRS measures should be considered together with other data prepared in accordance with IFRS, and these measures taken by themselves, are not necessarily indicative of operating costs or cash flow measures prepared in accordance with IFRS.

Note Regarding Forward-Looking Statements

Except for historical information, this MD&A may contain forward-looking statements within the meaning of applicable Canadian securities legislation. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.

The factors that could cause actual results to differ materially include, but are not limited to, the following:

General economic conditions; changes in financial markets; the impact of exchange rates; political conditions and developments in countries in which the Company operates; changes in the supply, demand and pricing of the metal commodities which the Company hopes to find and successfully mine; changes in regulatory requirements impacting the Company's operations; the sufficiency of current working capital and the estimated cost and availability of funding for the continued production, exploration and development of the Company's properties.

This MD&A contains certain forward-looking statements inclusive of, but not limited to, timing of the mine development, mill construction, metals production, increased payment terms, and improved gold recovery. Although forward-looking statements and information contained in this MD&A are based on the beliefs of K92 management, which we consider to be reasonable, as well as assumptions made by and information currently available to K92 management, there is no assurance that the forward-looking statement or information will prove to be accurate. The assumptions made include assumptions about K92's ability to move forward with the development and mine expansion arrangements. The forward-looking statements and information contained in this MD&A are subject to current risks, uncertainties and assumptions related to certain factors including, without limitations, obtaining all necessary approvals, feasibility of the Company's mine and plant development in PNG, the accuracy of mineral reserve and mineral resources estimates, exploration and development risks, expenditure and financing requirements, title matters, the Company's dependency on the Kainantu Gold Mine for operating revenue and cash flows in the near term, operating hazards, metal prices, political and economic factors, competitive factors, general economic conditions, relationships with vendors and strategic partners, governmental regulation and supervision, the Company's ability to adequately account for potential mine closure and remediation costs, seasonality, technological change, industry practices, and one-time events as well as risks, uncertainties and other factors discussed in our annual and interim management's discussion and analysis. Should any one or more of these risks or uncertainties materialize or change, or should any underlying assumptions prove incorrect, actual results and forward-looking statements and information may vary materially from those described herein.

The list is not exhaustive and although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended that should be considered carefully, and reasons should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any person assumes responsibility for the accuracy and completeness of these forward-looking statements. We undertake no obligation to update forward-looking statements or information except as required by law.

Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources.

This discussion uses the terms "measured resources" and "indicated resources". The Company advises investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves."

Risk Factors

The exploration, development and mining of natural resources are highly speculative in nature and are subject to significant risks. The risk factors noted below do not necessarily comprise all risks faced by us. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the Company's business, operations and future prospects. If any of the following risks actually occur, the Company's business may be harmed and its financial condition and results of operations may suffer significantly.

Risks related to the Company's business

1. COMMODITY, CURRENCY AND MARKET RISKS

Changes in the price of gold, silver, copper and other metals in the world markets, which can fluctuate widely, significantly affect the profitability of the Company's operations, the Company's financial condition and the Company's ability to develop new mines.

The profitability of the Company's operations is significantly affected by changes in the market price of gold, silver, copper and other mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control, including: interest rates; the rate and anticipated rate of inflation; world supply of mineral commodities; consumption patterns; purchases and sales of gold by central banks; forward sales by producers; production costs; demand from the jewelry industry; speculative activities; stability of exchange rates; the relative strength of the U.S. dollar and other currencies; changes in international investment patterns; monetary systems; and political and economic events.

Current and future gold price declines could cause commercial production or the development of new mines to be impracticable or unpredictable. If the gold price declines significantly, or decline for an extended period of time, the Company might not be able to continue its operations, develop its properties, or fulfill its obligations under the Company's permits and licences, or under the Company's agreements with its partners. This could result in the Company losing its interest in some or all of its properties, or being forced to cease operations or development activities or to abandon or sell properties, which could have a negative effect on the Company's profitability and cash flow.

Fluctuations in the price and availability of infrastructure and energy and other commodities could impact the Company's profitability and development of projects.

Mining, processing, development and exploration activities depend on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. The Company's inability to secure adequate water and power resources as well as other events outside of the Company's control, such as unusual or infrequent weather phenomena, sabotage, terrorism, community, or government or other interference in the maintenance or provision of such infrastructure, or failure to maintain or extend such infrastructure, could adversely affect the Company's operations, financial condition and results of operations.

Profitability is affected by the market prices and availability of commodities that the Company uses or consumes for the Company's operations and development projects. Prices for commodities like diesel fuel, electricity, steel, concrete, and chemicals can be volatile, and changes can be material, occur over short periods of time and be affected by factors beyond the Company's control. The Company's operations use a significant amount of energy and depend on suppliers to meet those needs. Higher costs for such required commodities and construction materials, or tighter supplies, can affect the timing and cost of the Company's development projects, and the Company may decide that it is not economically feasible to continue some or all of the Company's commercial production and development activities, which could have an adverse effect on the Company's revenue.

Higher worldwide demand for critical resources like input commodities, drilling equipment, tires and skilled labour could affect the Company's ability to acquire them and lead to delays in delivery and unanticipated cost increases, which could have an effect on the Company's operating costs, capital expenditures and production schedules.

Fluctuations in foreign currency exchange rates could materially affect the Company's business, financial condition, results of operations and liquidity.

The Company's assets and operations are located in Canada and Papua New Guinea. As a result, the Company has foreign currency exposure with respect to items not denominated in U.S. dollars. The three main types of foreign exchange risk the Company faces can be categorized as follows:

- Transaction exposure: the Company's operations sell commodities and incur costs in different currencies. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate;
- Exposure to currency risk: the Company is exposed to currency risk through a portion of the following assets and liabilities denominated in currencies other than the U.S. dollar: cash and cash equivalents, trade and other receivables, trade and other payables, reclamation and closure costs obligations, warrants and gross balance exposure; and
- Translation exposure: the Company's functional and reporting currency is U.S. dollars. The Company's other operations may have assets and liabilities denominated in currencies other than the U.S. dollar, with translation foreign exchange gains and losses included from these balances in the determination of profit or loss. Therefore, as the exchange rates between the Canadian dollar, Australian dollar and Papua New Guinea kina fluctuate against the United States dollar, the Company will experience foreign exchange gains and losses, which can have a significant impact on the Company's consolidated operating results.

As a result, fluctuations in currency exchange rates could significantly affect the Company's business, financial condition, results of operations and liquidity.

Market price of the Common Shares.

The Common Shares are publicly traded and are subject to various factors that have historically made the common share price volatile. The market price of the Common Shares has experienced, and may continue to experience, significant volatility, which may result in losses to investors. The market price of the Common Shares may increase or decrease in response to a number of events and factors, including as a result of the risk factors described herein.

In addition, the global stock markets and prices for mining company shares have experienced volatility that often has been unrelated to the operating performance of such companies. These market and industry fluctuations may adversely affect the market price of the Common Shares, regardless of the Company's operating performance.

2. PRODUCTION, MINING, AND OPERATING RISKS

Mining is inherently dangerous and subject to conditions or events beyond the Company's control, including problems related to weather and climate in remote areas in which certain of the Company's operations are located, which could have a material adverse effect on the Company's business, and mineral exploration is speculative and uncertain.

Mining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the production of gold, silver and copper, including: unusual and unexpected geologic formations; seismic activity; rock bursts; cave-ins or slides; flooding; pit wall failure; periodic interruption due to inclement or hazardous weather conditions; and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, personal injury or death, damage to property, environmental damage and possible legal liability. Milling operations are subject to hazards such as fire, equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.

The Company's operations are located in remote areas and are affected by adverse climate issues, resulting in technical challenges for conducting both geological exploration and mining operations. Although the Company benefits from modern mining technology, the Company may sometimes be unable to overcome problems related to weather and climate either expeditiously or at a commercially reasonable cost, which could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's failure to achieve production, cost and other estimates could have a material adverse effect on the Company's future cash flows, profitability, results of operations and financial condition.

This Management Discussion & Analysis and the Company's other public disclosure contains guidance and estimates of future production, operating costs, capital costs and other economic and financial measures with respect to the Company's existing exploration and development projects. The estimates can change or the Company may be unable to achieve them. Actual production, costs, returns and other economic and financial performance may vary from the estimates depending on a variety of factors, many of which are not within the Company's control.

Mineral exploration and development involves significant risks and uncertainties, which could have a material adverse effect on the Company's business, results of operations and financial condition.

The development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines and no assurance can be given that minerals will be discovered in sufficient quantities or having sufficient grade to justify commercial operations or that funds required for development can be obtained on a timely basis. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs the Company will result in a profitable commercial mining operation.

Properties not yet in production, starting production or slated for expansion, are subject to higher risks as new mining operations often experience unexpected problems during the start-up phase, and production delays and cost adjustments can often happen. Further, feasibility studies contain project-specific estimates of future production, which are based on a variety of factors and assumptions. There is no assurance that such estimates will be achieved and the failure to achieve production or cost estimates or material increases in costs could have a material adverse effect on the Company's future cash flows, profitability, results of operations and financial condition and the Company's share price.

In addition, developments are prone to material cost overruns versus budget. The capital expenditures and time required to develop new mines including building mining and processing facilities for new properties are considerable and changes in cost or construction schedules can significantly increase both the time and capital required to build the mine. The project development schedules are also dependent on obtaining the governmental approvals and permits necessary for the operation of a mine which is often beyond the Company's control. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated. There is no assurance that there will be sufficient availability of funds to finance construction and development activities, particularly if unexpected problems arise.

Other risks associated with mineral exploration and development include but are not limited to: the availability and costs of skilled labour and the ability of key contractors to perform services in the manner contracted for; unanticipated changes in grade and tonnage of ore to be mined and processed; unanticipated adverse geotechnical and geological conditions; incorrect data on which engineering assumptions are made; potential increases in construction and operating costs due to shortages of and/or changes in the cost of fuel, power, materials, security and supplies; adequate access to the site and unanticipated transportation costs or disruptions; potential opposition or obstruction from non-governmental organizations, environmental groups or local groups which may delay or prevent development activities; equipment failures; natural phenomena; exchange rate and commodity price fluctuations; high rates of inflation; civil disobedience, protests and acts of civil unrest or terrorism; applicable taxes and restrictions or regulations imposed by governmental or regulatory authorities or other changes in the regulatory environments; and other risks associated with mining described herein.

The combination of these factors may result in the Company's inability to develop its non-producing properties, to achieve or maintain historical or estimated production, revenue or cost levels, or to receive an adequate return on invested capital, which could have a material adverse effect on the Company's business results of operations and financial condition.

Dependence on the Kainantu Gold Mine for all of K92's operating revenue and cash flows

While the Company may invest in additional mining and exploration projects in the future, the Kainantu Gold Mine is currently the Company's sole producing asset, providing all of the Company's operating revenue and cash flows. Consequently, a delay or difficulty encountered in the operations of the Kainantu Gold Mine would materially and adversely affect the Company's financial condition and financial sustainability including K92's ability to fund future development.

Any adverse changes or developments affecting the Kainantu Gold Mine, such as, but not limited to, the Company's inability to successfully mine, complete any of the development projects, work programs or expansions, obtain financing on commercially suitable terms, or hire suitable personnel and mining contractors, may have a material adverse effect on K92's financial performance, results of operations and liquidity.

In addition, the results of operations of the Company could be materially and adversely affected by any events which cause the Kainantu Gold Mine to operate at less than optimal capacity, including, among other things, equipment failure or shortages of spares, consumables and reagents, adverse weather, serious environmental and safety issues, any permitting or licensing issues and any failure to produce expected amounts of gold.

Undue reliance should not be placed on estimates of mineral resources, since these estimates are subject to numerous uncertainties. Mineral resources may never be converted into mineral reserves, which could adversely affect the Company's operating results and financial condition.

The Technical Report provides current estimates of mineral resources for certain parts of the Kainantu Project based on drill results. There can be no assurance that such resource mineralization estimates are accurate.

The following factors could potentially materially impact on the current mineral resource estimates:

- The inferred category is intended to cover situations where a mineral concentration or occurrence has been identified and limited measurements and sampling completed, but where the data are sufficient to allow the geological and grade continuity to be reasonably assumed. Due to the uncertainty that may be attached to inferred mineral resources, it cannot be assumed that all or any part thereof will be upgraded to an indicated or measured mineral resource as a result of continued exploration.
- Potential underestimation or overestimation of gold grade due to poor core recovery in mineralized zones.
- Results of additional drilling, metallurgical testing, receipt of new information, and production and the evaluation of mine plans subsequent to the date of any mineral resource estimate may require revision of such an estimate.

Furthermore, the Technical Report does not constitute a pre-feasibility study or a feasibility study. The decision to refurbish and restart the Kainantu Mine was not based on a feasibility study demonstrating economic and technical viability and, as a result, there is increased uncertainty and multiple technical and economic risks that are associated with this decision. These risks include failure to consider those matters that are analyzed in detail in a feasibility study, such as applying economic analysis to resources and reserves, more detailed metallurgy, and a number of specialized studies in areas such as mining and recovery methods, market analyses and environmental and community impacts. Project failure will adversely impact the Company's future profitability.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to uncertainty that may attach to inferred mineral resources, inferred mineral resources may not be upgraded to measured and indicated mineral resources or proven and probable reserves as a result of continued exploration. The Company's projections regarding continuing operations and production at Kainantu Mine are based on the assumption that the Company will be able to mine certain mineral resources, including inferred mineral resources, that have not been classified as mineral reserves. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that such projections will be realized.

The Company may be unable to identify appropriate acquisition targets or complete desirable acquisitions, and the Company may be unsuccessful in integrating businesses and assets that it has acquired or may acquire in the future.

As part of its business strategy, the Company has sought and will continue to seek new operating and development opportunities in the mining industry. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses and their personnel into the Company. There can be no assurance that the Company can complete any acquisition or business arrangement that it pursues, or is pursuing, on favorable terms, if at all, or that any acquisitions or business arrangements completed will ultimately benefit the Company's business.

Acquisitions are accompanied by risks, such as a significant decline in the relevant metal price after the Company commits to complete an acquisition on certain terms; the quality of the mineral deposit acquired proving to be lower than expected; the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of the Company's ongoing business; the inability of management to realize anticipated synergies and maximize the Company's financial and strategic position; the failure to maintain uniform standards, controls, procedures and policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel; and the potential for unknown or unanticipated liabilities associated with acquired assets and businesses, including tax, environmental or other liabilities. There can be no assurance that acquired businesses or assets will be profitable, that the Company will be able to integrate the acquired businesses or assets successfully or that the Company will identify all potential liabilities during the course of due diligence. Any of these factors could have a material adverse effect on the Company's business, expansion, results of operations and financial condition.

The Company may be unable to compete successfully with other mining companies.

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than the Company with respect to the discovery and acquisition of interests in mineral properties, and the recruitment and retention of qualified employees and other persons to carry out its mineral production and exploration activities. Competition in the mining industry could adversely affect the Company's prospects for mineral exploration and development in the future, which could have a material adverse effect on the Company's revenues, operations and financial condition.

The Company may be subject to litigation risks which could have a material adverse effect on the Company's business, results of operations and financial position.

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. In addition, companies in the mining industry have experienced volatility in their share price have been subjected to class action securities litigation by shareholders. Defense and settlement costs can be substantial, even for claims that are without merit. Due to the inherent uncertainty of the litigation process, the litigation process could take away from management time and effort and the resolution of any particular legal proceeding to which the Company may become subject could have a material adverse effect on the Company's business, results of operations and financial position.

Furthermore, in the event of a dispute arising from the Company's activities, the Company may be subject to the exclusive jurisdiction of courts or arbitral proceedings outside of North America or may not be successful in subjecting persons to the jurisdiction of courts in North America, either of which could unexpectedly and adversely affect the outcome of a dispute.

Failures of information systems or information security threats.

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("**IT**") services in connection with the Company's operations. The Company's operations depend, in part, on how well the Company and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses, which may adversely impact the Company's reputation and results of operations.

Although to date the Company has not experienced any known material losses relating to cyber-attacks or other information security breaches, there can be no assurance that it will not incur such losses in the future. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The Company's board of directors may experience conflicts of interest.

Certain of the Company's directors are also directors, officers or shareholders of other companies that are engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. If a conflict of interest arises, any director in a conflict is required to disclose his interest and abstain from voting on such matter.

3. RISKS IN FOREIGN OPERATIONS

The Company's operations in Papua New Guinea subject the Company to political, economic and other risks that could negatively impact the Company's operations and financial condition.

The Company's exploration, development and production activities are conducted in Papua New Guinea and, as such, its operations are exposed to relatively high levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, the existence or possibility of political or economic instability; conflict; terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; war or civil unrest; expropriation and nationalization; uncertainty as to the outcome of any litigation in a foreign jurisdiction; uncertainty as to enforcement of local laws; uncertainty in relation to the impact of the COVID-19 pandemic on mining operations; the impact of any declared State of Emergency laws in Papua New Guinea on fly-in fly-out employees and on labour force generally; environmental controls and permitting; restrictions on the use of land and natural resources; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation laws or policies; restrictions on foreign exchange and repatriation; corruption; unstable legal systems; changing political conditions; changes in mining and social policies; social unrest on account of poverty or unequal income distribution; local ownership legislation; currency controls and governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, the foreign jurisdiction or require equity participation by local citizens; and other risks arising out of foreign sovereignty issues.

Legislation in Papua New Guinea provides that the holder of a tenement must not enter onto or occupy any land which is the subject of the tenement for the purpose of mining, until it has made an agreement with the landholders as to the amount, times and mode of compensation and the agreement has been registered in accordance with such legislation. The Company has entered into agreements with the national, provincial and local levels of the Papua New Guinea Government and various landowner groups whereby the landowners will collectively receive a portion of the royalty paid by the Company to the National Government pursuant to the Mining Act 1992, however there are residual land disputes concerning whether the Company has entered into agreements with all of the correct landowners to be dealt with. If it is determined that there are landowners that the Company is required to have agreements with that it currently does not, additional agreements will have to be negotiated. Inter-clan disputes seem to be a material cause of the failure to be able to expeditiously resolve the local landowner matters. Failure to come to sufficient resolutions on such matters may adversely impact on the Company's ability to carry on exploration and mining operations on its properties.

The Papua New Guinea government has the right but not the obligation to participate in mining operations by acquiring up to a 30% interest in a mining licence. It is the Company's position that the government has waived its rights to participate, and ML150 does not contain any specific provision enabling such a right. Although there is no condition to the renewal of ML150 that the government's right to acquire a participating interest be reactivated, the risk remains that the government could seek to impose and exercise such right, which could result in, among other things, material and costly negotiations as to the fair market value of such right and the terms of payment.

The Company's interests in exploration and development properties are located in Papua New Guinea, a developing country, and therefore its mineral exploration and mining activities may be affected by political instability and governmental legislation and regulations relating to foreign investment and the mining industry. Papua New Guinea can often experience periods of civil unrest and instability. Changes, if any, in mining or investment laws or policies, political attitude or the level of stability in Papua New Guinea may adversely affect the Company's operations or profitability.

Due to the political instability in Papua New Guinea, the Company has to maintain a minimum level of security to protect its assets and personnel; however, there is no guarantee that such measures will provide an adequate level of protection for the Company or its assets and personnel.

Outbreak, or Threatened Outbreak, of Any Severe Communicable Disease in Papua New Guinea

The outbreak, or threatened outbreak, of any severe communicable diseases in Papua New Guinea could materially and adversely affect the Company's operations, particular if such outbreak is inadequately controlled. This in turn could materially and adversely affect domestic labour supply. As all of the Company's revenue is currently derived from the Kainantu Gold Mine, any labour shortages in Papua New Guinea could materially and adversely affect K92's business and results of operations. In addition, if any of the Company's employees are affected by any severe communicable disease, it could adversely affect or disrupt K92's production, development and exploration and materially and adversely affect the results of operations as the Company may be required to shut down its facilities to prevent the spread of the disease. The spread of any severe communicable disease in Papua New Guinea may also affect the operations of the Company's suppliers, which could materially and adversely affect K92's business and results of operations.

In particular, malaria, COVID-19 and other diseases such as HIV/AIDS represent a serious threat to maintaining a skilled workforce in the mining industry throughout Papua New Guinea and are a major healthcare challenge faced by the operations of the Company. There can be no assurance that K92 will not lose members of its workforce or see its workforce man-hours reduced or incur increased medical costs as a result of these health risks, which could materially and adversely affect the business and results of operations of the Company.

Coronavirus (COVID-19) and health crises

The current outbreak of novel COVID-19 and any future emergence and spread of similar pathogens could have an adverse impact on global economic conditions which may adversely impact the Company's operations, and the operations of its suppliers, contractors and service providers and the ability to obtain financing. Travel bans may also adversely impact the Company's operations and the ability of the Company to advance its projects. In particular, should any employees or consultants of the Company become infected with Coronavirus or similar pathogens, it could have a material negative impact on the Company's operations and prospects.

The Company encounters illegal mining on its properties.

There has been and continues to be illegal mining activities on the Company's mineral properties. For the most part, the illegal mining is restricted to the oxidised upper portions of mineralized prospects where gold is easily obtainable in its native form. There are no agreements in place between the Company and any of the illegal miners. While illegal miners do not extract material amounts of minerals from the Company's properties, risks to the Company include altercations with illegal miners, restrictions to access over certain parts of the Company's properties, injury or death to illegal miners while on the Company's properties, and damages to the environment which the Company may have to incur resources to remediate.

Community Relations

The Company's relationships with stakeholders are critical to ensure the future success of its existing operations and the construction and development of its projects. Mineral resource companies face increasing public scrutiny of their activities and are under pressure to demonstrate that their operations have potential to generate satisfactory returns not only to their shareholders, but also to benefit local governments and the communities surrounding its properties where it operates. NGOs and civil society groups, some of which oppose globalization and resource development, are often vocal critics of the mining industry and its practices, including the use of hazardous substances and the handling, transportation and storage of various waste, including hazardous waste. The potential consequences of these pressures include reputational damages, lawsuits, increasing social investment obligations and pressure to increase taxes and future royalties payable to local governments and surrounding communities. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, obtain permits and licenses and/or continue its operations. As a result of these considerations, the Company may incur increased costs and delays in permitting and other operational matters with respect to its property interests in Papua New Guinea.

4. COMPLIANCE AND REGULATORY RISKS

The Company's operations are subject to stringent laws and regulations, which could significantly limit the Company's ability to conduct its business.

The Company's activities are subject to stringent laws and regulations governing, among other things, prospecting, development and production; imports and exports; taxes; labour standards, occupational health and mine safety; mineral tenure, land title and land use; water and air quality regulations; protection of endangered and protected species; social legislation; and other matters.

Compliance with these laws may require significant expenditures. If the Company is unable to comply fully, it may be subject to enforcement actions or other liabilities (including orders issued by regulatory or judicial authorities causing operations to cease, be suspended or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions) or the Company's image may be harmed, all of which could materially affect the Company's operating costs, delay or curtail its operations or cause the Company to be unable to obtain or maintain required permits. There can be no assurance that the Company has been or will be at all times in compliance with all applicable laws regulations, that compliance will not be challenged or that the costs of complying with current and future laws and regulations will not materially or adversely affect the Company's business, operations or results.

New laws and regulations, amendments to existing laws and regulations or administrative interpretation, or more stringent enforcement of existing laws and regulations, whether in response to changes in the political or social environment the Company operates in or otherwise, could have a material and adverse effect on the Company's future cash flow, results of operations and financial condition.

Mineral rights or surface rights to the Company's properties could be challenged, and, if successful, such challenges could have a material adverse effect on the Company's production and results of operations.

The Company's ability to carry out successful mineral exploration and development activities and mining operations will depend on a number of factors including compliance with the Company's obligations with respect to acquiring and maintaining title to the Company's interest in its properties. The acquisition of title to mineral properties is a very detailed and time-consuming process. No guarantee can be given that the Company will be in a position to comply with all such conditions and obligations, or to require third parties to comply with their obligations with respect to such properties. Furthermore, while it is common practice that permits and licences may be renewed, extended or transferred into other forms of licences appropriate for ongoing operations, no guarantee can be given that a renewal, extension or a transfer will be granted to the Company or, if they are granted, that the Company will be in a position to comply with all conditions that are imposed. A number of the Company's interests are the subject of pending applications to register assignments, extend the term, and increase the area or to convert licences to concession contracts and there is no assurance that such applications will be approved as submitted.

The interests in the Company's properties may not be free from defects or the material contracts between the Company and the entities owned or controlled by a foreign government may be unilaterally altered or revoked. There can be no assurances that the Company's rights and title interests will not be revoked or significantly altered to the Company's detriment. There can be no assurances that the Company's rights and title interests will not be challenged or impugned by third parties. The Company's interests in properties may be subject to prior unregistered liens, agreements, claims or transfers and title may be affected by, among other things, undetected defects or governmental actions.

The Company is subject to taxation in foreign jurisdictions, and adverse changes to the taxation laws of such foreign jurisdictions or unanticipated tax consequences of corporate reorganizations, could have a material adverse effect on the Company's profitability.

The Company is subject to the taxation laws of a number of different jurisdictions. These taxation laws are complicated and subject to changes and are subject to review and assessment in the ordinary course. Any such changes in taxation law or reviews and assessments could result in higher taxes being payable by the Company, which could adversely affect the Company's ability to generate a profit. Taxes may also adversely affect the Company's ability to repatriate earnings and otherwise deploy its assets.

In addition, the Company has recently completed and may complete in the future, corporate reorganizations and reorganizations of the entities holding the Company's projects. In the event that such reorganizations result in the imposition of an unanticipated tax or penalty, it may have a material adverse effect on the Company's business. The Company may also be subject to ongoing tax audits from time to time. Adverse results of such tax audits may have a negative effect on the business of the Company.

The Company requires licences, permits and approvals from various governmental authorities to conduct its operations, the failure to obtain or loss of which could have a material adverse effect on the Company's business.

The Company's mining and exploration and development operations in Papua New Guinea are subject to receiving and maintaining licences, permits and approvals from appropriate governmental authorities. Although the Company's mining operations currently have all required licences, permits and approvals that the Company believes are necessary for operations as currently conducted, no assurance can be provided that the Company will be able to maintain and renew such permits or obtain any other permits that may be required .

There is no assurance that delays will not occur in connection with obtaining necessary renewals of authorizations for existing operations, additional licences, permits and approvals for future operations, or additional licences, permits and approvals associated with new legislation. An inability to obtain or conduct mining operations pursuant to applicable authorizations would materially reduce the Company's production and cash flow and could undermine the Company's ability to generate sufficient revenue to continue operations.

There are several permits required for mining operations in Papua New Guinea, including:

- Licence to keep, store or possess explosives;
- Permit for persons using explosives;
- Conveyance of explosives and dangerous goods;
- Licence to keep, or register premises to store inflammable liquids;
- Approval to recruit non-citizens;
- Gold export licence;
- Export consignment form;
- Establishing foreign bank accounts to meet exchange control requirements; and
- Tax clearance certificates for transfer of funds out of Papua New Guinea.

While the Company currently has the valid permits it requires to carry on its current operations, there is no guarantee the Company will be able to retain the necessary permits. A loss of a permit could materially delay the Company's operations, and failure to obtain or renew any necessary permit could materially restrict the Company's ability to meet the ML150 renewal obligations or future operations.

Pursuant to Section 22(2) of the Mining Act 1992, the holder of an exploration licence must relinquish not less than 50% of the area at the time of application for extension of that licence so that after each relinquishment the area of land that remains subject to the exploration licence consists of not more than three discrete areas each or which comprises one sub-block or more than one sub-blocks, each of which shall have a common side with at least one other such sub-block. Where, as a result of this requirement, the area of an exploration licence has been reduced to not more than:

1) 30 sub-blocks — the holder is not required to make any further relinquishments under Section 22(2); or
2) 75 sub-blocks — the holder may apply to the Managing Director of the Mineral Resources Authority of Papua New Guinea to waive or vary Section 22(2) and where the Managing Director is satisfied, after receiving advice from the Mining Advisory Council, that special circumstances exist which in his opinion justify retention of more than 30 sub-blocks, he may waive or vary those requirements, but the total area permitted to be held after such a waiver or variation must not exceed 75 sub-blocks.

A relinquishment under Section 22 takes effect on the date on which the exploration licence would have expired but for the lodgement of an application for an extension of term.

At the time of making subsequent applications for renewal of the Company's exploration licences, the Company will make an application under Section 22(3)(a) of the Mining Act 1992, for an exemption from the requirement to relinquish any part thereof. No assurance can be made that such applications will be successful, and if an application is denied and the Company is required to relinquish any part of an exploration licence, it could materially affect the nature and scope of the Company's future mineral exploration.

In addition, the grant of and the registration of mining tenements in Papua New Guinea do not guarantee title under applicable legislation. As such there is the risk of third party claims which could be made against title to any or all of the tenement interests held by or to be held by the Company, to which none the Company or any of its subsidiaries are aware; and such claims could be material and adverse to the Company's right or ability to carry out exploration, development or mining activities thereon.

The Company is subject to risks relating to environmental regulations and the Company's properties may be subject to environmental hazards, which may have a material adverse effect on the Company's business, operations and financial condition.

The Company's operations are subject to local laws and regulations regarding environmental matters, including, without limitation, the renewal of environmental clearance certificates, the use or abstraction of water, land use and reclamation, air quality and the discharge of mining wastes and materials. Any changes in these laws could affect the Company's operations and economics. Environmental laws and regulations change frequently, and the implementation of new, or the modification of existing, laws or regulations could harm the Company. The Company cannot predict how agencies or courts in foreign countries will interpret existing laws and regulations or the effect that these adoptions and interpretations may have on the Company's business or financial condition.

The Company may be required to make significant expenditures to comply with governmental laws and regulations. Any significant mining operations will have some environmental impact, including land and habitat impact, arising from the use of land for mining and related activities, and certain impact on water resources near the project sites, resulting from water use, rock disposal and drainage run-off. The Company may also acquire properties with known or undiscovered environmental risks. Any claim against or indemnification from the entity from whom the Company has acquired such properties may not be adequate to pay all the fines, penalties and costs (such as clean-up and restoration costs) incurred related to such properties.

Some of the Company's properties have been used for mining and related operations for many years before the Company acquired them and were acquired as is or with assumed environmental liabilities from previous owners or operators. The Company has been required to address contamination at its properties in the past and may need to continue to do so in the future, either for existing environmental conditions or for leaks or discharges that may arise from the Company's ongoing operations or other contingencies. Contamination from hazardous substances, either at the Company's own properties or other locations for which the Company may be responsible, may subject the Company to liability for the investigation or remediation of contamination, as well as for claims seeking to recover for related property damage, personal injury or damage to natural resources. The occurrence of any of these adverse events could have a material adverse effect on the Company's future growth, results of operations and financial position.

While the Company believes it does not currently have any material unrecognized risks under environmental obligations, exploration, development and mining activities may give rise in the future to significant liabilities on the Company's part to the government and third parties and may require the Company to incur substantial costs of remediation. Additionally, the Company does not maintain insurance against environmental risks. As a result, any claims against the Company may result in liabilities that the Company will not be able to afford, resulting in the failure of the Company's business.

In some jurisdictions, forms of financial assurance are required as security for reclamation activities. The cost of the Company's reclamation activities may materially exceed the Company's provisions for them, or regulatory developments or changes in the assessment of conditions at closed operations may cause these costs to vary substantially, from prior estimates of reclamation liabilities.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration operations may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws. Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenditures and costs or require abandonment or delays in developing new mining properties.

The Company's operations are associated with the emission of 'greenhouse gases'. Ongoing international negotiations which aim to limit greenhouse gas emissions may result in the introduction of new regulations, and may have an adverse impact on the Company's operations.

The Company is subject to various anti-corruption laws and regulations and the Company's failure to comply with such laws and regulations may have a material adverse impact on the Company's business, financial condition and results of operations.

The Company is subject to Canadian and foreign anti-corruption laws and regulations such as the Canadian Corruption of Foreign Public Officials Act. In general, these laws prohibit a company and its employees and intermediaries from bribing or making other prohibited payments to foreign officials or other persons to obtain or retain business or gain some other business advantage. According to Transparency International, Papua New Guinea is perceived as having fairly high levels of corruption relative to Canada. The Company cannot predict the nature, scope or effect of future regulatory requirements to which the Company's operations might be subject or the manner in which existing laws might be administered or interpreted. Failure by the Company or its predecessors to comply with the applicable legislation and other similar foreign laws could expose the Company and its senior management to civil and/or criminal penalties, other sanctions and remedial measures, legal expenses and reputational damage, all of which could materially and adversely affect the Company's business, financial condition and results of operations. Likewise, any investigation of any alleged violations of the applicable anti-corruption legislation by Canadian or foreign authorities could also have an adverse impact on the Company's business, financial condition and results of operations.

5. FINANCIAL RISKS

The Company may not be able to obtain additional financing on acceptable terms, or at all.

Future exploration, development, mining, and processing of minerals from the Company's properties, or repayment of current or future indebtedness, could require substantial additional financing. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities or repayment of indebtedness, should such funding not be fully generated from operations. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may involve certain restrictions on operating activities or other financings. There is no assurance that such equity or debt financing will be available to the Company or that they would be obtained on terms favourable to the Company, if at all, which may adversely affect the Company's business and financial position. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development, or production on any or all of the Company's properties, or even a loss of property interests.

The Company's insurance does not cover all potential losses, liabilities and damage related to its business and certain risks are uninsured or uninsurable.

Although the Company maintains insurance to protect against certain risks in such amounts as the Company considers to be reasonable, the Company's insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as loss of title to mineral property, environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon the Company's financial performance and results of operations.

Dilution

The Company may sell additional equity securities in subsequent offerings and may issue additional equity securities to finance its operations, exploration, development, acquisitions or other projects. The Company cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Company's shares.

The Company has not declared dividends on its Common Shares.

The Company has not declared or paid any dividends on the Common Shares. The Company intends to retain future earnings, if any, to finance the growth and development of its business and does not intend to pay cash dividends on the Common Shares in the foreseeable future.

6. RELATIONSHIPS WITH KEY STAKEHOLDERS

The Company is subject to risks related to community relations and community action, including Aboriginal and local community title claims and rights to consultation and accommodation, which may affect the Company's existing operations and development projects.

As a mining business, the Company comes under pressure in the jurisdictions in which it operates to demonstrate that other stakeholders (including employees, communities surrounding operations and the countries in which it operates) benefit and will continue to benefit from the Company's commercial activities, and/or that the Company operates in a manner that will minimize any potential damage or disruption to the interests of those stakeholders. The Company may face opposition with respect to its current and future development and exploration projects which could materially adversely affect the Company's business, results of operations and financial condition.

Governments in many jurisdictions, including the jurisdictions in which the Company operates, must consult with Aboriginal peoples and local communities with respect to grants of mineral rights and the issuance or amendment of project authorizations. Consultation and other rights of Aboriginal people and local communities frequently require accommodations, including undertakings regarding employment, royalty payments and other matters. This may affect the Company's ability to acquire within a reasonable time frame effective mineral titles, permits or licences in the jurisdictions in which it operates and may affect the timetable and costs of development of the Company's mineral properties.

Further, certain non governmental organizations ("**NGOs**"), some of which oppose globalization and resource development, are often vocal critics of the mining industry and its practices, including the use of hazardous substances in processing activities. Adverse publicity generated by such NGOs or others related to extractive industries generally, or the Company's operations specifically, could have an adverse effect on the Company's reputation and financial condition and may impact its relationship with the communities in which the Company operates. They may also attempt to disrupt the Company's operations.

The Company depends on key personnel and if it is unable to attract and retain such persons in the future it could have an adverse effect on the Company's operations.

The Company's success will be largely dependent upon the performance of its key officers, employees, outside contractors and consultants. Locating and developing mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration, development and production personnel involved. Failure to retain key personnel or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success. The Company has not purchased any "key-man" insurance with respect to any of the Company's directors, officers or key employees and have no current plans to do so.

The Company's operations would be adversely affected if it failed to maintain satisfactory labour relations or attract and retain skilled personnel.

Production at the Company's mining operations is dependent upon the efforts of its employees and the Company's relations with its employees. The Company may not be able to satisfactorily renegotiate its labour agreements when they expire. In addition, existing labour agreements may not prevent a strike or work stoppage at the Company's facilities in the future. In addition, relations between the Company and its employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in those jurisdictions in which the Company carries on business. Changes in such legislation or in the relationship between the Company and its employees may have a material adverse effect on the Company's business, financial condition and results of operations.

In Papua New Guinea, due to high levels of unemployment, it may be difficult for us to obtain skilled personnel that may be required in exploration or mining operations. In addition, Papua New Guinea suffers from high levels of poverty. A significant proportion of the Papua New Guinea work-force can be classified as unskilled or semi-skilled labourers, as a result of which it may be difficult for employers to find skilled personnel for specialized tasks. Shortages of suitably qualified personnel in Papua New Guinea could have a material adverse effect on the Company's business, financial condition and results of operations.