K92 MINING INC.

("K92" or "the Company")

FORM 51-102F1

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020. The MD&A takes into account information available up to and including March 26, 2021 and should be read together with the audited consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and is presented in thousands of United States dollars, except share and per share amounts, or unless otherwise indicated.

Throughout this document the terms *we, us, our, the Company* and *K92* refer to K92 Mining Inc.

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 the Toronto Stock Exchange ("**TSX**") under the symbol "KNT" and quoted on the OTCQB under the symbol "KNTNF". The Company is currently engaged in the production of gold, copper and silver at 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.

Summary of Key Operating and Financial Results

(in thousands of United States Dollars, except per share amounts)		Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Operating data					
Ore mined	t	70,930	40,150	237,445	135,190
Ore processed	t	68,932	30,336	230,365	127,190
Feed grade	g/t	14.2	25.2	14.0	20.8
Gold produced	Oz	28,809	23,096	95,109	79,838
Gold equivalent produced[1]	Oz	29,820	23,646	98,872	82,256
Gold sold	Oz	28,112	22,754	93,273	75,647
Cash costs per gold ounce sold[2]	$/Oz	639	498	651	532
All-in sustaining costs per gold ounce sold[2]	$/Oz	768	658	782	686
Financial data					
Revenue	$	48,030	33,416	159,125	101,693
Cost of sales	$	23,947	13,946	73,424	48,016
Net income (loss)	$	10,917	22,542	42,034	32,542
Cash flow from operating activities	$	21,323	14,020	64,821	26,931
Cash, ending balance	$	51,495	21,612	51,495	21,612
Basic earnings per share	$/sh	0.05	0.11	0.19	0.16
Diluted earnings per share	$/sh	0.05	0.10	0.19	0.16

Performance Summary

Operational – Year Ended December 31, 2020

- **Record gold production** of 95,109 gold ounces or 98,872 gold equivalent ("AuEq") ounces in 2020, compared to production of 79,838 gold ounces or 82,256 AuEq ounces in 2019.[1] The increase in gold production includes deliberately lower grades being processed to minimize potential gold losses during commissioning of the Stage 2 Plant Expansion. The Company also achieved record quarterly gold production of 28,809 gold ounces or 29,820 AuEq ounces in Q4 2020.

- **Record plant throughput** of 230,365 tonnes in 2020, compared to 127,190 tonnes in 2019. The Company also achieved record quarterly plant throughput of 68,932 tonnes in Q4 2020.

- **Record plant feed mined** of 237,445 tonnes in 2020, compared to 135,190 tonnes in 2019. The Company also achieved record quarterly mining material movements and development metres in Q4 2020, with total material movements of 163,754 tonnes (mill feed and waste) or 207,600 tonnes (including backfill placed) and 1.9 km of development advance, respectively.

- **Positive gold and copper reconciliation** versus resource model in Q4 2020, with a gold head grade of 14.2 g/t and a copper head grade of 0.36%. Head grades also benefitted from less dilution than planned, particularly from long hole stoping.

- **Cash costs** averaged $651 ($639 in Q4 2020) per gold ounce in 2020 versus $532 ($498 in Q4 2019) per gold ounce in 2019.[2] The increase in cash costs per ounce is partially due to a decrease in feed grades of 14.0 g/t Au in 2020 compared to 20.8 g/t Au in 2019. In addition, the Company incurred costs related to the COVID-19 pandemic, including additional pay for employees completing longer rosters at site, additional costs related to the movement of personnel and supplies, and additional safety and medical related costs. The Company also incurred higher labour costs associated with increasing the labour compliment necessary to build up production to the higher levels planned for the Stage 2 Expansion.

[1] Gold equivalent calculated based on gold $1,500 per ounce (2019 - $1,300), silver $17.75 per ounce (2019 - $16.50) and copper $2.70 per pound (2019 - $2.90).

[2] Non-IFRS – the definition and reconciliation of these measures are included in the non-IFRS performance measures section of this MD&A.

- **All-in sustaining costs** averaged $782 ($768 in Q4 2020) per gold ounce in 2020 versus $686 ($658 in Q4 2019) per gold ounce in 2019 as a result of the higher cash costs noted above.[2]

- The Kainantu mine continues to operate during the COVID-19 pandemic, with a significant focus on health, safety and risk mitigation.

Financial – Year Ended December 31, 2020

- **Revenue growth of 56%** totaling $159.1 million in 2020 compared to $101.7 million in 2019. Sales of gold in concentrate increased by 23% to 93,273 oz in 2020 from 75,647 in 2019 resulting in $29.8 million in higher revenues and payable gold prices increased by 27% to $1,692/oz in 2020 from $1,334/oz in 2019 resulting in $33.3 million in higher revenues. The Company also achieved record quarterly revenue of $48.0 million in Q4 2020.

- **Record cash position of $51.5 million** at December 31, 2020 compared to $21.6 million at December 31, 2019. During the year ended December 31, 2020, the Company paid $8.6 million in principal loan payments and spent $20.0 million in expansion capital.

- **Operating cash flow growth of 141%** totaling $64.8 million in 2020 compared to $26.9 million in 2019.

- **Gross margins improved to 56%** in 2020 compared to 53% in 2019.

- **EBITDA growth of 66%** totaling $79.6 million in 2020 compared to $47.8 million in 2019.[2]

- Announced the COVID-19 Assistance Fund to support the Papua New Guinea National Government, the Eastern Highlands and Morobe Provincial Governments and local communities in PNG with 1.5 million Papua New Guinea Kina ($0.4 million).

- Began paying corporate income tax in Papua New Guinea. The Company paid $7.2 million and transferred other taxes receivable of $5.3 million, for a total of $12.5 million.

Expansion – Year Ended December 31, 2020

- Successfully completed commissioning of the Stage 2 process plant, doubling throughput capacity from 200,000 tonnes per annum ("**tpa**") (~550 tonnes per day ("**tpd**")) to 400,000 tpa (~1,100 tpd).

- Filed an updated resource estimate with an effective date April 2, 2020 comprising:

    - Measured and Indicated Resource of 1.1 million ounces at 10.45 g/t AuEq representing a +180% increase from the previous resource estimate of 0.39 million ounces AuEq in October 2018.
    - Inferred Resource of 3.7 million ounces at 9.01 g/t AuEq representing a +50% increase from the previous resource estimate of 2.39 million ounces AuEq in October 2018.

- Filed a Preliminary Economic Assessment ("**PEA**") with an effective date of April 2, 2020 and amended date November 13, 2020. See technical report filed on www.sedar.com, and our website, "Technical report (NI 43-101)" amended filing November 20, 2020. Key results of the PEA:

    - After-tax NPV5% of $1.5 billion at $1,500 per ounce gold, increasing to an after-tax NPV5% of $2.0 billion at $1,900 per ounce gold.
    - Average annual expansion run-rate production of 318,000 ounces gold equivalent per annum at 1.0Mtpa, commencing in late-2023, representing a 165% increase from Stage 2 Expansion Life of Mine ("**LOM**") average annual production.
    - LOM average cash costs of $353 per AuEq ounce and AISC of $489 per AuEq ounce.
    - Low cash costs of $202 per gold ounce and AISC costs of $362 per gold ounce net of by-product credits.
    - Initial pre-expansion capital cost of $125 million and life of mine sustaining capital cost of $341 million with all capital costs fully funded by existing Stage 2 Kainantu mine cash flow.
    - Mine life of 12 years, including ~3 years of Stage 2 production (2021 to late-2023).

Corporate – Year Ended December 31, 2020

- Graduated from the TSX Venture Exchange ("**TSXV**") and listed on the Toronto Stock Exchange ("**TSX**") effective December 9, 2020.

- Entered into commodity contracts reducing the exposure to gold price fluctuation with 11,660 gold ounces hedged at December 31, 2020.

2020 Production Data

		2020				
		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Tonnes processed	t	47,421	49,311	64,702	68,932	230,365
Feed grade Au	g/t	13.6	17.6	11.3	14.2	14.0
Feed grade Cu	%	0.36	0.54	0.38	0.36	0.40
Recovery (%) Au	%	93.0	92.1	90.7	91.7	91.8
Recovery (%) Cu	%	91.7	91.1	90.2	90.6	90.9
Metal in concentrate produced Au	oz	19,240	25,762	21,298	28,809	95,109
Metal in concentrate produced Cu	t	154	241	221	224	841
Metal in concentrate produced Ag	oz	7,678	10,867	7,127	10,395	36,067
Gold equivalent ounces produced	oz	19,944	26,847	22,261	29,820	98,872

COVID-19 Update

Since March 2020, measures have been implemented in the countries in which the Company operates in response to the impact of the coronavirus ("**COVID-19**").

During the year, the Company initiated a COVID-19 Management Plan at the Kainantu mine site, which addresses immediate issues including occupational health, hygiene and safety, business continuity, travel, supply chain, statutory compliance, communications, testing, risk assessment and contingency planning.

In line with other mining operations in the country, the Company maintained normal operations at the Kainantu mine and associated facilities during the local state of emergency declared in March 2020 and received exemptions from the PNG Government to allow for the movement of PNG Nationals within PNG and of Expatriate workers from Australia during that period. After the Government of Papua New Guinea lifted the state of emergency, the Company experienced a significant improvement in the movement of personnel, and as a result twin incline and surface exploration activities have resumed and final commissioning of the Stage 2 Plant Expansion was completed.

Subsequent to December 31, 2020, the Company announced a number of positive COVID-19 cases identified through containment measures, contact tracing, quarantine procedures and routine testing.

The Company has on-site quarantine facilities, which were significantly expanded during the last year. Additional protocols have been activated. The Company's priority is to protect the health and well-being of its personnel and local communities.

In addition, the government of Australia announced the temporary introduction of restrictions on travel between Papua New Guinea and Australia. The restriction includes the suspicion of movement of the resource sector's expatriate fly-in fly-out work force between Papua New Guinea and Australia for a two-week period. The Company is engaging with the governments of Australia and Papua New Guinea through the Papua New Guinea Chamber of Mines and Petroleum to ensure protocols are in place that will allow the resumption of travel following the suspension period. The suspension will result in a reduction in expatriate staffing levels over the short term, but is not expected to significantly impact production, although some non-production-related activities may be impacted; and

The Kainantu mine continues to operate and the impact of COVID-19 to date has been minimal; however, if the COVID-19 situation in Papua New Guinea were to significantly deteriorate in the future, it could have an adverse impact on production, results of operations, financial position or cash flows.

2021 Operational Outlook

- Gold equivalent production between 115,000 and 135,000 ounces.
- Cash costs between $515-$565 per ounce gold and all-in sustaining costs between $825-$875 per ounce gold.
- Exploration costs to increase significantly, with expenditures of $14-$17 million projected in 2021.
- Growth capital costs forecasted to be between $25-$30 million, which includes the ongoing twin incline development.

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 three months ended December 31, 2020, the Company produced 28,809 ounces of gold, 493,584 pounds of copper and 10,395 ounces of silver, or 29,820 AuEq oz. Annual production also achieved a record of 98,872 oz AuEq or 95,109 oz gold, 1,853,078 lbs copper and 36,067 oz silver, representing year-over-year AuEq production growth of 20%.

During the three months ended December 31, 2020, the Company achieved record mill throughput, processing a total of 68,932 tonnes. The record mill throughput and production was achieved despite five days of downtime for mill reline maintenance and a further five days treating a lower grade bulk sample from Judd Vein development. The ramp-up of the mill following the commissioning of the Stage 2 Expansion has progressed well, sequentially improving through the fourth quarter, with metallurgical performance also improving, achieving recoveries of 91.7% for gold and 90.6% for copper. Further improvements are expected through 2021 from additional optimization to the flotation circuit, re-commissioning of the drum scrubber and introduction of the gravity circuit.

Mining operations achieved record material movements and development in the fourth quarter with total material movements of 163,754 tonnes (mill feed and waste) or 207,600 tonnes (including backfill placed) and 1.9 km of development mined. Importantly, the underground mine achieved the beginning of year target of 1,100 tpd (mill feed) by year-end, despite the challenges of the COVID-19 pandemic. As a result, during the quarter, stockpiles increased ~3,000 tonnes to ~21,000 tonnes at 11.8 g/t AuEq at year-end.

During the three months ended December 31, 2020, mining operations focused on Kora's K1 and K2 veins and Judd's J1 vein, for a total of seven levels mined. On the K1 vein, development tonnes were mined on five levels and long hole stoping (modified AVOCA method) was mined from five sublevels (1150, 1170, 1205, 1225 and 1245 mRL level). On the K2 vein, development tonnes were mined from two sublevels and long hole stoping (modified AVOCA method) on the 1185 mRL level. J1 vein mining was from the 1235 mRL development. Importantly, Q4 2020 marked the third full quarter of long hole stoping, which commenced in March 2020 on the K1 vein. Long hole stoping has performed well for both the K1 and K2 vein with less dilution than expected from both veins in Q4 2020, particularly the K1 vein. The combination of additional levels developed through 2020 and strong performance from long hole stoping has provided a notable positive impact on operational flexibility.

The blend of K1, K2 and J1 vein material provided an average head grade to the process plant for Q4 2020 of 14.2 g/t Au and 0.36% Cu. Both gold and copper head grades delivered a positive grade reconciliation.

Capital Expenditure

Stage 2 Plant Expansion

In 2020, the Company completed the stage 2 expansion and commissioning of the plant to maximize recovery resulting in a realized increase to throughputs from~550 tpd to ~1,100 tpd. The concrete batching plant was also constructed and commissioned for both site construction projects and UG shotcrete capability. Also during the year, other projects were engaged including further camp expansion for both COVID-19 quarantine capability and increased personnel, a new lime mixing and dosing plant, and an expansion of the supply warehouse. The majority of mobile equipment related to the stage 2 expansion was engaged in early 2020, however some additional exploration diamond drills were added later in the year, along with two larger surface mill and mine loaders, and some underground service equipment. In early 2021, a new underground service truck was also commissioned.

Twin Incline

Development of the twin inclines continues to progress well with over 300m advanced (#2 incline at 6m x 6m and #3 incline at 5m x 5m). This large capital project will provide the major mine access infrastructure for increased production capability required for Stage 3 Expansion and potentially beyond to further expansions.

Exploration

Underground grade control and exploration

The Company continued its exploration diamond drilling program at the Kora deposit, doubling increasing the drill rig fleet to a total of 5 drill rigs (4 owner operated and 2 contract rigs) over the last twelve months and completing a total of 114 drill holes. The results from this program were primarily intended to provide information for the updated resource estimated released during the year, increase drill density to upgrade resources for the Stage 3 Expansion Feasibility Study in addition to step-out drilling.

In May 2020, the Company announced an updated resource estimate on the Kora deposit. The following are highlights from the updated resource estimate:

- Measured and Indicated Resource of 1.1 million ounces at 10.45 g/t AuEq representing a +180% increase from the previous resource estimate of 0.39 million ounces AuEq in October 2018.
- Inferred Resource of 3.7 million ounces at 9.01 AuEq representing a +50% increase from the previous resource estimate of 2.39 million ounces AuEq in October 2018.
- Significant component of the updated resource is high grade, with only moderate reductions in overall ounces as cut-off grade increases.
    - Measured and Indicated Resource of 1.0 million ounces at 12.58 g/t AuEq at a 2 g/t gold cut-off and 0.8 million ounces at 20.51 g/t AuEq at a 5 g/t gold cut off.
    - Inferred Resource of 3.3 million ounces at 11.82 g/t AuEq at a 2 g/t gold cut-off and 2.6 million ounces at 19.78 g/t AuEq at a 5 g/t gold cut off.
- Kora North, Kora and Eutompi deposits now combined and shown to be one continuous deposit, open at depth and open along strike to the south.
- Kainantu vein field has numerous opportunities to expand resources from near-mine high-priority exploration areas including: Kora strike extension; Kora deeps; Kora and Judd South veins; Judd vein; Karempe vein, and; Arakompa and Maniape.

Please see the Company's news release dated February 18, 2021 for the most recent results from the underground exploration program.

Judd

The Judd Vein System at the Kainantu gold mine is located near-mine infrastructure, subparallel to and ~150-200m East from the producing Kora deposit and within the mining lease. To date, four known veins have been recorded at Judd, with similar vein orientation and quartz-sulphide Au-Cu-Ag mineralization as Kora. The veins remain open at depth and only a fraction of the over 2,500 m strike length has been drilled, with significant gaps remaining to be tested.

The Company reported preliminary bulk sample results from the Judd #1 Vein of the Judd Vein System and marks the first significant exploration activity undertaken on Judd by K92. The bulk sample was completed on the Judd 1235 Level J1 Vein underground development, which has been developed to a total of 223 metres (as at the November 24, 2020 press release update). As development advanced to the South, notably higher grade material was encountered, with an estimated 6,600 tonnes at 13.57 g/t AuEq or 12.17 g/t Au, 0.79% Cu and 19 g/t Ag of additional undiluted J1 Vein extracted and estimated from underground channel sampling. Multiple high grade faces were recorded from channel sampling, including: 5.46 m at 109.54 g/t AuEq or 108.00 g/t gold, 0.27% copper and 100 g/t silver representing our southernmost assay to date; 3.9 m thickness at 46.8 g/t AuEq or 43.3 g/t Au, 2.12% Cu and 29 g/t Ag, and; 4.4 m thickness at 20.8 g/t AuEq or 15.1 g/t Au, 3.38% Cu and 57 g/t Ag. Vein thickness averaged 3.7 metres and ranged from 2 to 6 metres.

The bulk sample delivered a significant positive grade reconciliation, returning a head grade of 6.50 g/t gold equivalent or 5.19 g/t gold, 0.82% copper and 10.9 g/t silver, compared to the projected average bulk sample diluted grade of 5.57 g/t gold equivalent or 4.4 g/t gold, 0.7% copper and 10.6 g/t silver from underground development channel sampling. The treatment of the bulk sample via flotation also delivered good recoveries of 88.8% for gold, 97.5% for copper and 88.2% for silver, similar to recoveries at Kora. As the bulk sample was processed after the recently commissioned Stage 2 Plant Expansion, the Company sees potential for improvement in recoveries through operational and flowsheet optimizations.

As a result of the promising results to date, the Company initiated its Phase 1 underground drill program on the sparsely drill tested Judd Vein System. A total of four diamond drill holes are reported at Judd from the Phase 1 underground drill program, with significant intersections recorded from multiple veins. The results are highlighted by the J1 vein, with JDD0006 recording 7.25 m at 256.09 g/t Au, 113 g/t Ag and 0.42% Cu (258.01 g/t AuEq, 5.30 m true width), approximately 50 m above the J1 Vein bulk sample development drive. JDD0006 is also one of the highest-grade drill holes recorded on the Kainantu property by K92. Approximately 150m north of JDD0006 and 60m above the J1 vein development drive, JDD0003, along the J1 vein, recorded 4.52 m at 10.81 g/t Au, 53 g/t Ag and 7.35% Cu (22.40 g/t AuEq, 2.81 m true width).

Please see the Company's news release dated January 26, 2021 for latest results on the Judd underground development program.

Surface Exploration

Surface exploration work during 2020 was focused on Blue Lake/Kotampa (EL470), Karempe (ML150/EL470), Kora (M150), Kapore/Yonki (EL1341) and Portal Veins/Kokomo (ML150/EL693) prospects.

Karempe

The Karempe Vein System at the Kainantu gold mine is located near mine infrastructure, subparallel ~450m west from the producing Kora deposit. To date, five known veins have been recorded at Karempe, with similar vein orientation and intrusive related Au-Cu-Ag mineralization as Kora.

The Company reported its first six drill holes of the Karempe Vein System, with intersections recorded in multiple veins. The results are highlighted by the KA1 Vein, with KRDD0005 recording 2.45 m at 39.82 g/t Au, 6 g/t Ag and 0.19% Cu (40.18 g/t AuEq, 2.30 m true width), including 0.75 m at 125.40 g/t Au, 12 g/t Ag, 0.13% Cu (125.75 g/t AuEq, 0.68 m true width). Approximately 100m down-dip from KRDD0005, along the KA1 Vein, hole KRDD0006 recorded 3.20 m at 17.50 g/t Au, 20 g/t Ag and 0.34% Cu (18.28 g/t AuEq, 2.45 m true width), including 1.60 m at 26.58 g/t Au, 38 g/t Ag, 0.66% Cu (28.07 g/t AuEq, 1.19 m true width). Both holes recorded mineralization that is invariably associated with massive sulphide (pyrite-chalcopyrite) and crystalline quartz, encapsulated within broad zones of strong sericite alteration. A total of 3,635 metres were drilled at Karempe in 2020.

Drilling also recorded significant mineralization along the KA2 Vein, highlighted by KRDD0002 recording 1.60 m at 8.61 g/t Au, 3 g/t Ag and 0.06% Cu (8.74 g/t AuEq, 1.31 m true width). The KRDD0002 intersection was reported ~100m to the south along strike from KRDD0005.

Blue Lake/Kotampa Prospect

Extensive evidence of porphyry style alteration and gold-copper mineralization revealed by the 2019 drill program at Blue Lake warranted immediate follow-up, to better define the shape and extent of the mineralized shell already identified, and to target the inferred porphyry core. The second phase six-hole drilling program commenced with the first hole KRDD0011 complete. Assays results from KTDD0011 returned a weighted average of 353.5m at 0.05g/t Au and 0.09% Cu from 251.2m including 87m at 0.07g/t Au, 0.12% Cu from 517.8m. The results are dominantly below 0.1g/t Au and 0.1% Cu with narrow intervals with 0.12-0.27% Cu throughout but potential to intersect high grade results in a porphyry Cu-Au target is demonstrated by the weighted results. A total of 990 metres were drilled at Blue Lake/Kotampa in 2020 with the program initially focusing on relatively shallow vector drilling.

Kapore/Yonki

A 50 x 50 grid soil sampling program totaling 373 sample sites was completed in early 2020 this was followed by a 12 hole drilling program targeting anomalous zones in the Kapore region. The best intercept was a narrow intrusive dyke at 163m returning 0.25m@ 4.5g/t Au and 0.06 %Cu. Other intercepts include 1.4m at 0.03g/t Au, 1833g/t Ag and 0.96 % Cu from 134.7m. Massive magnetite skarn at 108.3m returned 2.4m at 0.01g/t Au, 4.00g/t Ag and 0.03 %Cu. A total of 2,543 metres were drilled at Kapore/Yonki in 2020.

Portal Veins/Kokomo

Upon the purchase of the Company's own surface drill rigs it was decided they would be commissioned by targeting mineralized structures in the vicinity of the 800 Portal. Best assays were from hole KJDD0003 which intersected a wide zone of mineralization interpreted to be the Jefale vein. Results from this structure returned assays of 16.4m at 0.77 g/t Au, 9.6 ppm Ag, 0.14% Cu from 120m including 1.0m at 5.83 g/t Au, 1.0 ppm Ag, 0.001% Cu. Another zone returned 1.10m at 47.66 g/t Au, 2.0 ppm Ag, 0.01% Cu from 164.2m. A total of 891 metres were drilled at Portal Veins/Kokomo in 2020.

Kora Surface Exploration

The purpose of the Kora surface drilling was to upgrade the resource model by carrying out infill/resource delineation drilling of the Eutompi to Kora orebody. Best assays were as follows: EKDD0011, K1 structure assayed 4.9m at 6.07 g/t Au, 8.9 ppm Ag, 0.35% Cu, EKDD0016, K1 structure assayed 7.2m at 2.81 g/t Au, 34.3 ppm Ag, 0.82% Cu, K2 in this hole returned 9.1m at 4.24 g/t Au, 11.1 ppm Ag, 2.23% Cu from 359.7m. In EKDD0017 the K1 structure returned 1.1m at 5.09 g/t Au, 7.1 ppm Ag, 0.32 % Cu from 406.7m and 5.7m at 2.26 g/t Au, 11.1 ppm Ag, 0.35 % Cu from 410.2m. The K2 structure returned 3.7m at 7.23 g/t Au, 4.7 ppm Ag, 0.9 % Cu from 468.3m. All are apparent widths. A total of 1,909 metres were drilled at Kora in 2020.

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

The Company continues to work towards completing the outstanding review of the existing Memorandum of Agreement ("**MOA**"), which has suffered repeated delays outside of the control of the Company or the Bilimoia Interim Landowners Association (BILA), most recently due to the current State of Emergency declared in response to the COVID-19 pandemic. The MOA underpins the relationship between the Company, the Community and Government and sets out commitments from the various parties.

In July 2020, the Company had a formal MOA meeting involving the Bilimoian landowners, the State, and the Provincial Government. Attending the meeting were representatives from the 10 clans within ML150, the PNG Mining Minister, the Managing Director of the Mineral Resources Authority of PNG and the Provincial Governor. In principle, the parties agreed on a revised MOA, subject to final review, with the expectation that the revised MOA will be finalized by in 2021.

The Company is currently working on a number of community programs, including: establishing freshwater systems for local communities, providing funding for a medical clinic including a nurse and medicines, refurbishing and performing maintenance on other medical clinics, refurbishment of a number of schools in the community, provision of literacy classes, and launching an agricultural livelihood and training program with the purpose of providing greater nutritional knowledge to the local community. In addition, the Company has performed extensive work on maintenance and upgrading of district roads, including construction of the Aiyamontena, Punano and Unantu bridges.

The Company has created multiple business opportunities for communities to benefit from the operation of the mine. These include four major joint venture contracts between the communities and PNG companies for the provision of services as well as numerous smaller contracts with local communities. The major contracts include Catering and Camp Management, Security, Road Transportation and Ancillary Mobile. During the year ended December 31, 2020, these contracts earned $11.4 million supporting the local community.

The Company provides scholarships to support children from landowners to undertake studies at post-secondary institutions. In 2020, 50 students (2019 – 56 students) from impacted communities have had half of their tertiary fees paid. 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, technical cooperation and project generation. The Company also provides annual prizes for the top third year students in Geology, Mining and Metallurgy nationally, with the recipients receiving substantial scholarships covering their final year.

The Company also announced a COVID-19 Assistance Fund to support the Papua New Guinea National Government, the Eastern Highlands and Morobe Provincial Governments and local communities in PNG with 1.5 million Papua New Guinea Kina (US$0.4 million). The Company also provided 0.5 million Papua New Guinea Kina (US$0.13 million) worth of COVID-19 health accessories to Papua New Guinea's national government.

In April 2020, a group of disaffected youths from the Bilimoian community blocked the haul road from the process plant to the Company's Kainantu Gold Mine. The blockage on the road did not halt production at the process plant but did result in mining operations being suspended for 48 hours. The situation did not escalate and following intervention of the Bilimoian leadership through the Bilimoia Interim Landowners Association and the local member of parliament, the underlying issues were resolved, and operations returned to normal.

Sustainability

The Company issued its first annual Sustainability Report – the 2019 Sustainability Report – which provided an overview of how the Company manages key aspects of environmental and social responsibility, along with 2019 and 2020 performance highlights and key metrics from the SASB Metals and Mining Standard. See the "2019 Sustainability Report" filed on the Company's website.

The following summarizes the key topics in the Sustainability Report.

Governance and Conduct

The Company's Code of Business Conduct and Ethics sets out expectations for conducting business to the highest standards of openness, honesty and accountability. The Company also has a Whistleblower Policy for anonymous reporting of any potential cases of financial irregularity, fraud or misconduct. In addition, the Company aligns policies, practices and recognized frameworks and initiatives that promote ethical behaviour and respect for human rights including compliance with the Canadian Extractive Sector Transparency Measures Act, compliance with the Extractive Industries Transparency Initiative and the Company's approach to security is based on the Voluntary Principles on Security and Human Rights providing a framework for maintaining safe and secure operations while respecting human rights.

Sustainable Development Goals

The United Nations' 17 Sustainable Development Goals ("**SDG**") serve as a guide for the Company's sustainability efforts. Our key areas of focus are food security (SDG 2), good health and well-being (SDG 3), quality education (SDG 4), gender equality (SDG 5), clean water (SDG 6), decent work (SDG 8) and infrastructure development (SDG 9).

Engagement with Stakeholders

The Company worked towards finalizing the Memorandum of Agreement between the Company and local landowners, the PNG state, provincial and local governments, held meetings with landowners at the start of major drill programs, hired approximately 300 community members for exploration-related work, engaged in industry involvement with the Company's CEO John Lewins sitting on the Council of the Papua New Guinea Chamber of Mines and Petroleum, and opened a project office in the Kainantu Town to offer literacy training and other community programs.

Our People

The Company employs primarily Papua New Guinea nationals, with the majority coming from local communities. In 2020, the Company had 676 employees and 188 contractors, with approximately 96% being Papua New Guinea nationals.

Health and Safety

The Company's health and safety management system and procedures are based on ISO 45001 and OHSAS 18001 standards. Safety training is ongoing and includes pre-start and toolbox talks, stop-work meetings if necessary, safety alerts via notice boards and emails, contractor meetings, and activities initiated by the joint Occupational Health and Safety Committee.

The Kainantu Gold Mine camp health clinic is run by Papua New Guinea doctors, nurses and health extension officers, and includes a laboratory that has been critical for COVID-19 testing and is being expanded to enable additional standalone testing on site. We also support health clinics in the communities, paying for nurses, medicine and infrastructure.

The Company recorded one Lost Time Injury ("LTI") during 2020 as compared with one in 2019.

Community Relations

The Company's 30-person community affairs and sustainable development team comprises experienced community relations practitioners, including eight village liaison officers who help to maintain good communication in their own villages and three women in specialist roles focused on empowering women, promoting agricultural production and running the Bilimoia health clinic. The team is focused on three areas: (1) Government relationships – working with local, provincial and national governments and the police, (2) Exploration – making initial contact with communities, educating people on what to expect, and keeping lines of communication open between the Company and the community, and (3) Operations – integrating the community and the Company through formal engagement in villages where we operate.

Environmental Stewardship

The following are the key aspects of the Company's environmental approach:

- Our environmental management system is based on the ISO 14001 standard.
- Exploration is conducted in ways that minimize disturbance to the environment and people.
- The environmental footprints of the underground mine, processing plant and tailings facility are designed to be as small as possible. The tailings impoundment has an ultimate capacity of approximately four million tonnes, of which about 217,000 tonnes has been used as of December 31, 2020.
- No cyanide is used on site.
- Essentially all of the waste rock from mining is backfilled underground or repurposed at the tailings storage facility.
- Other waste is separated according to whether it is biodegradable, hazardous, or can be reused or recycled, and is then picked up by local contractors to be managed appropriately.
- The Company's nursery grows seedlings, which we use in rehabilitating land after we have disturbed it and share with our communities to support their environmental programs.
- The Company submits quarterly and annual reports on our environmental performance to the Papua New Guinea Conservation and Environment Protection Authority for review and discussion.

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, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Net income	$ 42,034	$ 32,542	$ 39,057
Revenue	159,125	101,693	53,161
Basic income per share	0.19	0.16	0.22
Diluted income per share	0.19	0.16	0.20
Total assets	215,515	154,990	87,769
Working capital	70,856	25,046	3,992
Total non-current liabilities	4,350	8,117	2,691

Results of Operations for the year ended December 31, 2020 as compared to December 31, 2019

During the year ended December 31, 2020, the Company had net income of $42.0 million (2019 – $32.5 million). Significant items making up the income, and changes from the prior year, are as follows:

Revenue of $159.1 million (2019 - $101.7 million) 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 versus the comparative period.

Cost of sales of $73.4 million (2019 - $48.0 million) consisting of mining, processing, mine technical services, maintenance, finance and administration at site, operational health and safety, share-based payments, depreciation and net smelter royalties. The increase in cost of sales is attributable to the increase in operational activity, as illustrated by the increase in ore mined from 237,445 tonnes in 2020 compared to 135,190 tonnes in 2019. In addition, the Company incurred costs related to the COVID-19 pandemic, including additional pay and bonuses for employees completing longer rosters at site, additional costs related to the movement of personnel and supplies, and additional safety and medical related costs.

Earnings from mine operations of $85.7 million (2019 - $53.7 million), which is calculated subtracting cost of sales from revenue.

General and administrative costs of $2.7 million (2019 – $2.7 million). There was no change versus the prior year primarily due to an increase in corporate hires, management fees and wages offset by reduced travel costs due to the COVID-19 pandemic.

Exploration and evaluation expenditures of $6.7 million (2019 – $7.9 million) related to drilling, assaying, trenching, surveying and other related expenditures. The decrease is primarily due to reduced exploration activities in Q2 through to Q4 2020 due to the COVID-19 pandemic.

Share-based payments of $6.4 million (2019 - $2.6 million) representing option grants to directors, employees and consultants of the Company. The increase in share-based payments primarily relates to an increase in the valuation of options granted during 2020 which was driven by an increase in the Company's share price versus the prior year.

Interest and finance expenses of $2.6 million (2019 – $2.0 million). This represents interest and finance expenses recorded on the loan, lease agreements and in relation to concentrate sales. The increase compared to the comparative period was primarily due to interest recorded on the loan and concentrate sales.

Income tax expense of $24.3 million (2019 – income tax recovery of $3.2 million) relates to current taxes and the estimated use of the deferred income tax asset. The change in the income tax expense is primarily due to the recognition of previously unrecognized tax assets in the comparative period.

Summary of Quarterly Results

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

(in thousands of United States Dollars, except per share amounts)	December 31, 2020 (Unaudited)	September 30, 2020 (Unaudited)	June 30, 2020 (Unaudited)	March 31, 2020 (Unaudited)
Total assets	$ 215,515	$ 194,597	$ 180,240	$ 161,279
Working capital	70,856	61,147	50,476	30,493
Shareholders' equity	181,515	164,275	150,750	132,484
Revenue	48,030	35,605	47,857	27,633
Net income	10,917	9,371	16,905	4,841
Net income per share, basic	0.05	0.04	0.08	0.02
Net income per share, diluted	0.05	0.04	0.08	0.02
	December 31, 2019 (Unaudited)	**September 30, 2019 (Unaudited)**	**June 30, 2019 (Unaudited)**	**March 31, 2019 (Unaudited)**
Total assets	$ 154,990	$ 132,110	$ 103,895	$ 90,951
Working capital	25,046	17,904	11,930	13,369
Shareholders' equity	124,690	101,006	85,012	76,099
Revenue	33,416	20,989	23,293	23,995
Net income (loss)	22,543	(389)	5,289	5,099
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

Net income for December 31, 2019 included deferred tax recoveries of $8.2 million. The net loss for September 30, 2019 was attributable to the amortization of the deferred loss and fair value loss on the gold purchase agreement.

Results of Operations for the three months ended December 31, 2020 as compared to December 31, 2019

During the three months ended December 31, 2020, the Company had net income of $10.9 million (2019 – $22.5 million) or a net income before income tax of $17.3 million (2019 - $14.3 million). Significant items making up the income, and changes from the prior year, are as follows:

Revenue of $48.0 million (2019 - $33.4 million) from the sale of gold concentrate. The increase in revenue is largely attributed to increased production and higher realized gold prices versus the comparative period.

Cost of sales of $22.4 million (2019 - $13.9 million) consisting of mining, processing, mine technical services, maintenance, finance and administration at site, operational health and safety, share-based payments, depreciation and net smelter royalties. The increase in cost of sales is attributable to the increase in operational activity, as illustrated by the increase in ore mined from 70,930 tonnes in Q4 2020 compared to 40,150 tonnes in Q4 2019. In addition, the Company incurred costs related to the COVID-19 pandemic, including additional pay and bonuses for employees completing longer rosters at site, additional costs related to the movement of personnel and supplies, and additional safety and medical related costs.

Earnings from mine operations of $25.6 million (2019 - $19.5 million), which is calculated subtracting cost of sales from revenue.

General and administrative of $0.6 million (2019 – $0.5 million). The increase is primarily related to an increase in corporate hires, management fees and wages.

Exploration and evaluation expenditures of $2.5 million (2019 – $2.6 million) related to drilling, assaying, trenching, surveying and other related expenditures. The decrease is due to reduced exploration activities due to the COVID-19 pandemic.

Share-based payments of $3.4 million (2019 - $0.8 million) representing option grants to directors, employees and consultants of the Company. The increase in share-based payments primarily relates to the timing, option valuation and the number of options granted during the quarter ending December 31, 2020.

Interest and finance expenses of $0.9 million (2019 – $1.2 million). This represents interest and finance expenses recorded on the loan, lease agreements and concentrate sales. The decrease in interest and finance expense is primarily due to interest incurred on a lower loan balance compared to the comparative period.

Income tax expense of $7.6 million (2019 – income tax recovery of $8.2 million) relates to current taxes and the estimated use of the deferred income tax asset. The change in the income tax expense is primarily due to the recognition of previously unrecognized tax assets in the comparative 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. These measures are calculated on a consistent basis for all periods presented, in prior periods treatment and refining costs were not included in the calculation and these prior periods have been adjusted for consistency. These measures are calculated on a consistent basis for the periods presented, except treatment and refining costs added in 2020 that increased cash costs for the three months December 31, 2020 by $48 (2019 - $37) and for the year ended December 31, 2020 by $48 (2019 - $38).

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.

(In thousands of United States Dollars, except as noted)	Three months ended December 31, 2020	Three months ended December 31, 2019[3]	Year ended December 31, 2020	Year ended December 31, 2019[3]
Cost of Sales	$ 22,390	$ 13,946	$ 73,424	$ 48,016
Add: treatment and refining costs	1,349	840	4,558	2,836
Less: non-cash costs included into cost of sales	(1,488)	-	(3,045)	-
Less: depreciation	(3,247)	(3,179)	(10,717)	(9,065)
Less: by-product credits	(1,052)	(278)	(3,460)	(1,571)
Cash cost of sales	17,952	11,329	60,760	40,216
Add: accretion	47	41	191	165
Add: general and administrative costs	581	511	2,721	2,679
Add: sustaining capital expenditures[4]	2,996	3,097	9,227	8,827
All-in sustaining costs	21,576	14,978	72,899	51,887
Gold ounces, sold	28,112	22,754	93,273	75,647
Cash cost per gold ounce, sold	$639	$498	$651	$532
All-in sustaining cost per gold ounce, sold[3]	$768	$658	$782	$686

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.

(In thousands of United States Dollars)	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Income for the period	$ 10,917	$ 22,543	$ 42,034	$ 32,542
Add: Income taxes	7,595	(8,212)	24,296	(3,184)
Add: Amortization of deferred loss	-	-	-	7,484
Add: Amortization of property, plant and equipment	3,247	3,079	10,717	8,966
Add: Interest and finance expense[5]	897	1,171	2,557	2,031
EBITDA	$ 22,656	$ 18,581	$ 79,604	$ 47,839

[3] The calculation of cash costs and AISC have been revised in this MD&A versus the previously reported comparative period MD&A. By-product credits and treatment and refining costs have been presented with total cash cost of sales, costs associated with investor relations have been included into general and administrative costs and the calculation is presented based on gold ounces sold rather than produced. The prior period comparative has been updated to reflect these changes.

[4] Sustaining capital expenditures for the year ended December 31, 2020 is the purchase of property, plant and equipment ("**PPE**") from the statement of cash flows of $29.8 million (2019 - $28.3 million), less deposits for equipment $0.2 million (2019 - positive $0.3 million), less net PPE amounts included in accounts payable related to expansion costs of $0.4 million (2019 - positive $0.4 million), less expansion costs of $20.0 million (2019 - $20.2 million).

[5] The calculation of EBITDA has been revised in this MD&A versus the previously reported comparative period MD&A to include the reclassification of accretion expense to interest and finance expenses as presented in the Consolidated Statements of Operations and Comprehensive Income.

Liquidity

As at December 31, 2020, the Company had a cash and cash equivalents balance of $51.5 million (December 31, 2019 - $21.6 million) and working capital of $70.9 million (December 31, 2019 - $25.0 million), which consisted of current assets of $100.5 million (December 31, 2019 - $47.2 million) less current liabilities of $29.7 million (December 31, 2019 - $22.2 million).

Operating Activities: During the year ended December 31, 2020, the Company generated $64.8 million from operating activities compared to $26.9 million for the year ended December 31, 2019.

Investing Activities: During the year ended December 31, 2020, the Company paid $29.8 million (2019 - $28.3 million) for property, plant, and equipment and $0.1 million (2019 - $0.3 million) for deposits on equipment.

Financing Activities: During the year ended December 31, 2020 the Company collected $Nil (2019 - $3.1 million) from the exercise of warrants and $4.3 million (2019 - $2.3 million) from the exercise of stock options. The Company paid $8.6 million (2019 - $1.4 million) in principal loan payments and $0.8 million (2019 - $0.4 million) in principal lease payments.

The Company's financial position at December 31, 2020, and the operating cash flows that are expected over the next twelve months, are expected to be sufficient to fund operational costs, capital requirements, debt repayments and other commitments. Subsequent to December 31, 2020, the Company repaid $5.1 million in principal and accrued interest to Trafigura as settlement of the remaining Loan balance.

Capital Resources

The Company manages its capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the Company's 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.

Related Party Transactions

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

(In thousands of United States Dollars) Year ended	December 31, 2020	December 31, 2019
Share-based compensation	$ 4,841	$ 1,285
Management, consulting and wages	1,192	1,017
Professional fees	86	283

During the year ended December 31, 2020, the Company paid professional fees of $18.0 thousand (2019 - $18.0 thousand) to a Company related to the CFO for accounting services.

Included in accounts payable and accrued liabilities is $0.1 million (2019 - $3.0 thousand) due to directors, officers, and companies controlled by directors and officers of the Company that is non-interest bearing and due on demand.

Outstanding Share Data

As at the date of this report the Company had 219,601,437 common shares issued and outstanding.

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

Range of exercise prices (in $CAD)	Number of outstanding options	Number of options exercisable	Weighted-average exercise price (in $CAD)	Weighted-average years to expiry
0.45 – 0.99	4,535,000	4,535,000	0.59	1.03
1.00 – 1.99	4,706,750	4,706,750	1.54	2.54
2.00 – 2.99	260,000	260,000	2.16	3.64
3.00 – 3.99	1,834,000	1,169,640	3.85	3.86
4.00 – 4.99	270,400	161,600	4.00	4.25
5.00 – 9.99	3,993,400	1,313,400	6.80	4.52
	15,599,550	12,146,390	2.93	2.81

Subsequent Events

Subsequent to December 31, 2020, the Company:

a) Paid $5.1 million in principal and accrued interest to Trafigura as settlement of the remaining Loan balance (Note 10 in the Financial Statements);

b) Announced a number of positive COVID-19 cases identified through containment measures, contact tracing, quarantine procedures and routine testing.

   The Company has on-site quarantine facilities, which were significantly expanded during the last year. Additional protocols have been activated. The Company's priority is to protect the health and well-being of its personnel and local communities.

   In addition, the government of Australia announced the temporary introduction of restrictions on travel between Papua New Guinea and Australia. The restriction includes the suspicion of movement of the resource sector's expatriate fly-in fly-out work force between Papua New Guinea and Australia for a two-week period. The Company is engaging with the governments of Australia and Papua New Guinea through the Papua New Guinea Chamber of Mines and Petroleum to ensure protocols are in place that will allow the resumption of travel following the suspension period. The suspension will result in a reduction in expatriate staffing levels over the short term, but is not expected to significantly impact production, although some non-production-related activities may be impacted; and

c) Stoping operations have been interrupted for a period of approximately two weeks as a result of an incident involving an underground loader, which prevented backfilling operations. While backfilling operations will recommence shortly, this will result in production from four high-grade stopes to be deferred from the current quarter to the second quarter, resulting in the plant treating a large amount of lower-grade stockpile material during the current quarter. It should be noted that this is not expected to impact on the guidance production for 2021.

Off-Balance Sheet Arrangements

At December 31, 2020, 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.

Preliminary Economic Assessment

On July 27, 2020 (amended filing November 20, 2020), the Company announced the results of the PEA on its Kora gold deposit, which together with its Irumafimpa gold deposit comprise the Kainantu Gold Mine Project (the "**Kainantu Project**") in Papua New Guinea. Based on the results of the study, the Company is proceeding to a Definitive Feasibility Study for the Kora Stage 3 Expansion.

The PEA is preliminary in nature and includes Inferred Mineral Resources that 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 the PEA will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. There can be no assurance that such resource mineralization estimates are accurate.

The following factors could potentially materially impact 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.

Significant Accounting Judgements, Estimates and Assumptions

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.

The Company's significant accounting judgements, estimates and assumptions are disclosed in Note 2 of the audited Consolidated Financial Statements for the year ended December 31, 2020.

Significant Accounting Policies

The Company's accounting policies are presented in Note 3 of the audited Consolidated Financial Statements for the year ended December 31, 2020 and have been consistently applied in the preparation of the audited consolidated financial statements.

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 levels in the fair value hierarchy into which the Company's financial assets and liabilities that are measured and recognized at fair value were categorized as follows:

As at	At December 31, 2020		At December 31, 2019	
	Level 1	Level 2	Level 1	Level 2
Trade receivables	$ -	$ 24,920	$ -	$ 10,054
Derivative liabilities	-	(280)	-	-
	$ -	$ 24,640	$ -	$ 10,054

The fair value of the Company's trade receivables and derivative liabilities were determined using observable market prices and market-derived inputs. There were no transfers between Level 1 and Level 2 during the year ended December 31, 2020.

As at December 31, 2020 and 2019, the carrying amounts of cash and cash equivalents, receivables, accounts payable and accrued liabilities, and the loan approximate their fair values due to the short-term nature of these instruments.

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.

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, 2020, the Company had a cash and cash equivalents balance of $51.5 million (2019 - $21.6 million), operating cash-flow for the year ended December 31, 2020 of $64.8 million (2019 – $26.9 million) to settle current liabilities of $29.7 million (2019 - $22.2 million). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days and are subject to normal trade terms or are due on demand.

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.

a) Interest rate risk

The Company's financial assets that are exposed to interest rate risk consist of cash and cash equivalents balances. The Company's current policy is to invest excess cash in highly liquid short-term interest-bearing investments issued by its banking institutions. 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 $4.9 million at December 31, 2020, for every 0.1% increase in LIBOR rates (10 basis point increase), annual net income would decrease by $5 thousand.

b) Foreign currency risk

The Company is subject to foreign currency risk on financial instruments denominated in currencies other than the United States Dollar which are held by entities with a functional currency other than the U.S. dollar. Through this, the Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables, prepayments, income tax prepayments, accounts payable and accrued liabilities and reclamation and closure costs obligations that are denominated in Australian Dollars, Papua New Guinea Kina 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 trade receivable is marked to market based on the estimated settlement price.

The following table outlines the trade receivables impact of a 10% change in gold commodity prices to pre-tax earnings (loss) as of December 31, 2020:

	Impact of price change on pre-tax earnings (loss)	
	10% increase	10% decrease
Trade receivables	$ 6,408	$ (6,408)

Commodity contracts

On November 20, 2020, the Company entered into zero-cost collar contracts whereby it began purchasing gold put option contracts and selling gold call option contracts with equal and offsetting values at the inception of each contract.

The details of the commodity contracts as at December 31, 2020 were as follows:

Contracts Outstanding	Quantity (ounces)	Strike Price ($/ounce)	Settlement Term[6]	Settlement Date
Gold call contracts – sold	11,660	$1,962	March 2021	May 19, 2021
Gold put contracts – purchased	11,600	$1,765	March 2021	May 19, 2021

[6] The gold call and put contracts will be settled based on the monthly average of the London Bullion Market Association's PM fixing price.

The commodity contracts have been recognized on a net basis as at December 31, 2020 with a $0.3 million liability (2019 - $Nil) on the statement of financial position. The changes in fair value of the commodity contracts are marked-to-market at the end of each reporting period resulting in a $0.3 million (2019 - $Nil) loss to net earnings for the year ended December 31, 2020.

The following table outlines the derivative liabilities impact of a 10% change in gold commodity prices to pre-tax earnings (loss) as of December 31, 2020:

	Impact of price change on pre-tax earnings (loss)	
	10% increase	10% decrease
Derivative liabilities	$ (1,569)	$ 728

Internal Control Over Financial Reporting and Disclosure Controls and Procedures

On December 9, 2020, the Company graduated to the TSX and became a non-venture issuer as defined in National Instrument 52-109 ("**NI 52-109**"). As the first financial period that ended after the Company became a non-venturer issuer is a financial year, the Company is eligible and has elected to file the alternative form 52-109F1 - IPO/RTO which does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Cautionary Statement Regarding Certain Measures of Performance

This MD&A presents certain measures, including "cash costs", "all-in sustaining costs" "gold equivalent" and "EBITDA" 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, twin incline construction, metals production, cash costs, all-in sustaining costs, exploration costs and growth capital costs. 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, completion of a Definitive Feasibility Study for the Kora Stage 3 Expansion, 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 declines 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, technical 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 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 who 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.

Climate Change

The Company is subject to evolving climate change legislation that may increase both compliance costs and the risk of non-compliance. New and/or future climate change legislation may affect the Company's ability to continue to operate as currently operated or planned to be operated. Additionally, there are climate change impact risks such as drought which could significantly increase costs of operations and/or have material adverse effect on the Company's business.

Global climate change continues to attract considerable public, scientific and regulatory attention. Governments and regulatory bodies at the international, national, regional and local levels have introduced or may introduce legislative changes to respond to the potential impacts of climate change. Additional government action to regulate climate change, including regulations on carbon emissions and energy use, could increase direct and indirect costs to the Company's operations and may have a material adverse impact on the Company. The Company's primary operations are located in Papua New Guinea who is a signatory to the Paris Agreement under the United Nations Framework Convention on Climate Change (the "Paris Agreement"). Additional requirements from the Paris Agreement or other climate change regulations could lead to increased costs for the Company.

In addition, the Company's operations are subject to the physical risks of climate change, which may include increased extreme weather events and significantly restricted water availability. In the long term, the Company may be required to respond to the physical effects of climate change which 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. Climate changes or prolonged periods of wet weather in Papua New Guinea may also severely limit the length of time per year in which exploration, development and production can be carried out, which could have a material adverse impact upon the Company. In addition, water shortages can have a significant adverse impact upon the operations of the Company and may result in delays and significant additional costs associated with mining and other operations.

Based on risk assessments conducted by the Company, climate change is not an immediate material risk faced by the Company. However, as time goes on, it may have an impact on how the Company conducts its business.

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 and travel limitations on fly-in fly-out employees; 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 potential for criminal activity and civil unrest 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 and 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 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;
- 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 material 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 the Company 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.