K92 MINING INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Presented in United States Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

K92 MINING INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Presented in United States Dollars)

AS AT	September 30, 2019	December 31, 2018
ASSETS		
Current		
Cash and cash equivalents	$ 17,545,588	$ 6,205,616
Receivables (Note 5)	10,723,531	7,699,572
Inventory (Note 6)	8,590,230	3,797,601
Prepayments (Note 7)	2,338,249	1,561,109
	39,197,598	19,263,898
Deferred income tax assets	21,172,277	26,470,433
Deposits on equipment (Note 9)	2,042,339	-
Property, plant and equipment (Note 9)	69,697,648	42,034,195
	$ 132,109,862	$ 87,768,526
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 13,198,056	$ 9,545,955
CRH financing (Note 10)	-	5,331,814
Current portion of lease liabilities (Note 9)	390,961	394,125
Current portion of loan (Note 11)	7,704,293	-
	21,293,310	15,271,894
Lease liabilities (Note 9)	843,962	799,238
Loan (Note 11)	6,972,273	-
Reclamation and closure cost obligations (Note 12)	1,994,296	1,891,298
	31,103,841	17,962,430
Shareholders' equity		
Share capital (Note 13)	76,649,656	54,433,383
Preferred shares (Note 13)	-	1,018,876
Contributed surplus (Note 13)	11,508,342	11,140,889
Accumulated other comprehensive loss	(664,096)	(299,438)
Retained earnings	13,512,119	3,512,386
	101,006,021	69,806,096
	$ 132,109,862	$ 87,768,526

Nature of business (Note 1)
Subsequent events (Note 20)
Approved and authorized by the Audit Committee on November 8, 2019:

"Saurabh Handa" Director *"R. Stuart Angus"* Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

K92 MINING INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Presented in United States Dollars)

For the	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
REVENUE (Note 17)	$ 20,989,036	$ 9,390,081	$ 68,276,579	$ 31,650,309
COST OF SALES (Note 18)	(12,238,898)	(7,432,542)	(34,069,682)	(18,480,336)
	8,750,138	1,957,539	34,206,897	13,169,973
EXPENSES				
Accretion expense (Note 12)	$ 41,393	$ 50,545	$ 124,118	$ 151,589
Consulting and administrative (Note 19)	558,681	174,531	1,710,519	1,339,389
Exploration and evaluation expenditures	2,759,668	839,310	5,321,457	1,233,373
Foreign exchange	(23,621)	22,347	187,911	22,220
Investor relations	188,658	58,482	455,601	274,925
Share-based payments	885,414	298,803	1,873,520	1,433,906
	$ (4,410,193)	$ (1,444,018)	$ (9,673,126)	$ (4,455,402)
OTHER				
Interest and finance expense	(422,755)	(112,107)	(735,509)	(299,819)
Fair value gain (loss) on gold purchase agreement (Note 10)	(802,386)	(655,392)	(1,022,359)	95,593
Amortization of deferred loss (Note 10)	(3,279,469)	(1,577,394)	(7,484,270)	(2,953,051)
Contract expenditures	(224,474)	-	(264,115)	-
(Loss) Income for the period before taxes	$ (389,139)	$ (1,831,372)	$ 15,027,518	$ 5,557,294
Income tax	-	-	5,027,785	-
(Loss) Income for the period	$ (389,139)	$ (1,831,372)	$ 9,999,733	$ 5,557,294
Items that may be reclassified to net income				
Other comprehensive (loss) income				
Cumulative translation adjustment	(411,582)	(41,325)	(364,658)	(416,318)
Comprehensive (loss) income for the period	$ (800,721)	$ (1,872,697)	$ 9,635,075	$ 5,140,976
Basic earnings per common share	$ (0.00)	$ (0.01)	$ 0.05	$ 0.03
Diluted earnings per common share	$ (0.00)	$ (0.01)	$ 0.05	$ 0.03
Weighted average number of common shares outstanding	208,043,823	180,547,476	198,671,319	174,609,489
Weighted average number of diluted common shares outstanding	208,043,823	180,547,476	207,391,791	180,123,179

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

K92 MINING INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Presented in United States Dollars)

For the nine months ended		September 30, 2019		September 30, 2018
CASH FROM OPERATING ACTIVITIES				
Income for the period	$	9,999,733	$	5,557,294
Items not affecting cash:				
Unrealized foreign exchange gain (loss)		(268,231)		(568,818)
Interest and finance expenses		441,939		299,819
Accretion expense (Note 12)		124,118		151,589
Amortization of deferred loss (Note 10)		7,484,270		2,953,051
Fair value loss (gain) on gold purchase agreement (Note 10)		1,022,359		(95,593)
Deferred income tax		5,027,785		-
Share-based payments (Note 13)		1,873,520		1,433,906
Depreciation (Note 9)		5,946,690		1,621,208
Changes in non-cash working capital items:				
Inventory		(4,792,629)		(1,489,088)
Receivables		(3,023,959)		(4,550,329)
CRH financing		(14,169,542)		-
Prepayments		(777,140)		(713,282)
Accounts payable and accrued liabilities		4,021,785		7,271,456
Net cash provided by operating activities		12,910,698		11,871,213
CASH USED IN INVESTING ACTIVITIES				
Lease payments		-		(106,449)
Proceeds from pre-production concentrate sales		-		3,690,501
Deposits for equipment		(2,042,339)		-
Acquisition of mineral properties		(15,514,659)		-
Acquisition of property, plant and equipment		(18,016,932)		(16,437,430)
Net cash used in investing activities		(35,573,930)		(12,853,378)
CASH FROM FINANCING ACTIVITIES				
Proceeds on issuance of capital stock (Note 13)		15,672,078		5,140,870
Share issuance costs (Note 13)		(1,060,288)		(438,020)
Proceeds on exercise of warrants		3,083,310		2,983,282
Proceeds on exercise of stock options		1,996,230		234,835
Proceeds from loan (Note 11)		15,000,000		-
Loan transaction costs (Note 11)		(358,227)		-
Principal lease payments		(482,723)		-
Purchase of gold credits (Note 10)		-		(5,093,070)
Net cash provided by financing activities		33,850,380		2,827,897
Change in cash and cash equivalents during the period		11,187,148		1,845,732
Effect of foreign exchange on cash		152,824		15,549
Cash and cash equivalents, beginning of period		6,205,616		1,159,538
Cash and cash equivalents, end of period	$	17,545,588	$	3,020,819
Cash paid for interest	$	117,396	$	-
Cash paid for taxes	$	-	$	-

Supplemental disclosure with respect to cash flows (Note 16)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

K92 MINING INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Presented in United States Dollars)

	Share capital						
	Number	Amount	Preferred shares	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance at December 31, 2017	161,746,910	$ 46,626,267	$ 1,018,876	$ 9,366,514	$ (125,516)	$ (35,544,568)	$ 21,341,573
Private placements	14,444,500	4,309,123	-	831,747	-	-	5,140,870
Share issuance costs, cash	-	(438,020)	-	-	-	-	(438,020)
Share issuance costs, warrants	-	(138,921)	-	138,921	-	-	-
Exercise of warrants	4,345,684	3,362,760	-	(379,478)	-	-	2,983,282
Exercise of stock options	606,100	292,261	-	(57,426)	-	-	234,835
Share-based payments (Note 13)	-	-	-	1,459,501	-	-	1,459,501
Cumulative translation adjustment	-	-	-	-	(416,318)	-	(416,318)
Income for the period	-	-	-	-	-	5,557,294	5,557,294
Balance at September 30, 2018	181,143,194	54,013,470	1,018,876	11,359,779	(541,834)	(29,987,274)	35,863,017
Private placements	-	124,951	-	(124,951)	-	-	-
Exercise of warrants	168,425	144,952	-	(62,114)	-	-	82,838
Exercise of stock options	139,600	150,010	-	(82,847)	-	-	67,163
Share-based payments (Note 13)	-	-	-	51,022	-	-	51,022
Cumulative translation adjustment	-	-	-	-	242,396	-	242,396
Income for the period	-	-	-	-	-	33,499,660	33,499,660
Balance at December 31, 2018	181,451,219	54,433,383	1,018,876	11,140,889	(299,438)	3,512,386	69,806,096
Conversion of preferred shares	9,503,662	1,018,876	(1,018,876)	-	-	-	-
Private placement	10,895,100	15,672,078	-	-	-	-	15,672,078
Share issuance costs, cash	-	(1,060,288)	-	-	-	-	(1,060,288)
Exercise of warrants	6,317,406	3,670,265	-	(586,955)	-	-	3,083,310
Exercise of stock options	4,504,200	2,915,342	-	(919,112)	-	-	1,996,230
Share-based payments (Note 13)	-	-	-	1,873,520	-	-	1,873,520
Cumulative translation adjustment	-	-	-	-	(364,658)	-	(364,658)
Income for the period	-	-	-	-	-	9,999,733	9,999,733
Balance at September 30, 2019	212,671,587	$ 76,649,656	$ -	$ 11,508,342	$ (664,096)	$ 13,512,119	$101,006,021

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF BUSINESS

K92 Mining Inc. (the "**Company**") was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on March 22, 2010. The Company's shares are listed on Tier 1 of the TSX Venture Exchange ("**TSX-V**") under the symbol KNT and the OTCQB under the symbol KNTNF. The Company is currently engaged in the exploration, development and mining of mineral deposits in Papua New Guinea, specifically the Kainantu Project.

The Company's head office, principal, registered and records office is 488 - 1090 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3V7.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed consolidated financial statements are compliant with IAS 34 and do not include all of the information required for full annual financial statements.

These condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2018. The Company's significant accounting policies applied in these condensed consolidated financial statements are the same as those applied in Note 3 of the Company's annual consolidated financial statements as at and for the year ended December 31, 2018, except for the adoption of IFRS 16, Leases effective January 1, 2019. The details of the impact on adoption are noted below.

3. SIGNIFICANT ACCOUNTING POLICIES

New standards adopted

IFRS 16 – Leases

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards adopted (cont'd…)

IFRS 16 – Leases (cont'd…)

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

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

As a lessee, we recognize a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain measurements of the lease liability.

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

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

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

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

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

(Presented in United States Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards adopted (cont'd…)

IFRS 16 – Leases (cont'd…)

We have recorded an office lease right-of-use asset of $448,236 within property, plant and equipment, measured at either an amount equal to the lease liability or their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using our incremental borrowing rate on January 1, 2019. We have recorded lease liabilities of $448,236 as at January 1, 2019.

Reconciliation of lease liabilities as of January 1, 2019:

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

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

IFRIC 23 – Uncertainty over Income Tax Treatments

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

4. ACQUISITION OF BARRICK (KAINANTU) LIMITED

Through its wholly owned subsidiary, K92 Holdings (PNG) Limited ("**K92PNG**"), on June 11, 2014, K92 International Holdings Limited ("**K92 Intl**") entered into a Share Sale Agreement ("**SSA**") with Barrick (Niugini) Limited ("**Barrick**"), Mt Apex Investment Holdings Limited ("**Apex**"), and Otterburn Resource Corp., whereby K92PNG agreed to acquire all of the outstanding shares of Barrick's wholly owned Papua New Guinea subsidiary, Barrick (Kainantu) Limited ("**Kainantu**"), that holds certain assets and mineral rights and interests in Papua New Guinea.

As consideration, K92PNG agreed to pay $2,000,000 (paid) and upon achievement of certain milestones, a contingent payment of up to $60,000,000. On July 17, 2019, the Company entered into an amendment agreement with Barrick Gold Corporation revising the contingent payment to a fixed payment of $12,500,000 paid on August 23, 2019, capitalized as part of additions to Mineral Properties (Note 9).

Pursuant to the PNG Mining Act, a 2% net smelter returns royalty, and a 0.25% levy on gross mine revenues are payable to the PNG government.

(Presented in United States Dollars)

5. RECEIVABLES

AS AT	September 30, 2019	December 31, 2018
Accounts receivable	$ 3,536,734	$ 1,145,104
Settlement receivables	6,230,869	6,060,893
Pricing adjustments	(921,652)	447,930
GST receivable	1,822,411	-
Other	55,169	45,645
Total	$ 10,723,531	$ 7,699,572

6. INVENTORY

AS AT	September 30, 2019	December 31, 2018
Mine supplies, consumables and fuel	$ 5,825,249	$ 2,842,750
Ore stockpile	200,189	771,195
Gold concentrate	2,564,792	183,656
Total	$ 8,590,230	$ 3,797,601

7. PREPAYMENTS

Prepayments of $2,338,249 as of September 30, 2019 (December 2018 - $1,561,109) relate to consumable inventory, insurance, and investor relations.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

AS AT	September 30, 2019	December 31, 2018
Trade payables	$ 4,869,849	$ 5,455,636
Accruals and provisions	5,462,129	2,438,232
Landowners compensation	2,866,078	1,652,087
Total	$ 13,198,056	$ 9,545,955

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (cont'd…)

Landowners' compensation

The Company has obligations to compensate landowners annually who are affected by the operations of the Kainantu mine. These compensations are governed by the Papua New Guinean Mining Act 1992 and land and environment compensation agreement ("**CA**") for Mining Lease 150 ("**ML 150**") that the prior owner of the Kainantu mine entered into with the Billmoia Landowners Association Incorporation ("**BLA**") and certain landowners / clans listed in the agreement. The actual recipients of the compensation determined under the CA and landowners' share of sales royalty cannot be paid as required under the CA until the legitimate landowners are identified by the Papua New Guinean Land Titles Commission ("**LTC**") and so compensation payments have been accrued but not paid.

(Presented in United States Dollars)

9. PROPERTY, PLANT AND EQUIPMENT

	Mineral Properties	Mine and Mill Refurbishment and Expansion	Mobile Fleet and Vehicles	Right-of-use assets	Total
Cost					
Balance, December 31, 2017	$ 26,716,969	$ 8,906,715	$ 2,183,014	$ 318,494	$ 38,125,192
Additions	4,485,577	2,617,243	4,382,362	1,195,790	12,680,972
Change in reclamation and closure obligation estimate (Note 11)	(421,850)	-	-	-	(421,850)
Capitalized pre-production concentrate sales	-	(3,690,501)	-	-	(3,690,501)
Balance, December 31, 2018	30,780,696	7,833,457	6,565,376	1,514,284	46,693,813
Change in new standard at January 1, 2019 (Note 3)	-	-	-	448,236	448,236
Additions	20,304,914	3,605,579	9,251,414	-	33,161,907
Balance, September 30, 2019	$ 51,085,610	$ 11,439,036	$ 15,816,790	$ 1,962,520	$ 80,303,956
Accumulated depreciation					
Balance, December 31, 2017	$ -	$ 403,974	$ 140,187	$ 14,191	$ 558,352
Depreciation for the year	1,825,580	541,384	1,506,897	227,405	4,101,266
Balance, December 31, 2018	1,825,580	945,358	1,647,084	241,596	4,659,618
Depreciation for the period	2,992,708	730,960	1,884,031	338,991	5,946,690
Balance, September 30, 2019	$ 4,818,288	$ 1,676,318	$ 3,531,115	$ 580,587	$ 10,606,308
Carrying amounts					
As at December 31, 2018	$ 28,955,116	$ 6,888,096	$ 4,918,292	$ 1,272,688	$ 42,034,192
As at September 30, 2019	$ 46,175,617	$ 9,854,423	$ 12,285,675	$ 1,381,933	$ 69,697,648

(Presented in United States Dollars)

9. PROPERTY, PLANT AND EQUIPMENT (cont'd…)

The net carrying amount of right-of-use assets as of September 30, 2019 was $1,381,933 (December 31, 2018 - $1,272,688). Assets under lease are included in right-of-use assets within property, plant and equipment. The Company has recorded the following as leases:

	September 30, 2019	December 31, 2018
Equipment lease payable in monthly instalments of $9,208 plus interest at 9.02% per annum. Matures September 2019.	$ 9,228	$ -
Office lease payable in monthly instalments of $10,744 (CAD$14,232). Matures March 2023.	386,926	125,959
Equipment lease payable in monthly instalments of $30,200 (Papua New Guinea Kina 102,791). Matures June 2022. The Company does have the ability to purchase the assets at the end of the lease or renew for an additional two-year period. $551,519 relates to payments more than 1 year.	838,769	1,067,404
Present value of future minimum lease payments	$ 1,234,923	$ 1,193,363
Current portion	$ 390,961	$ 394,125
Long-term portion	$ 843,962	$ 799,238

Deposits on equipment

The Company has made deposits on equipment of $2,042,339 (December 31, 2018 - $Nil) related to the expansion of the mine.

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain mineral titles as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties.

Mining Lease 150 ("ML 150")

The Company holds the mining rights to ML 150 until June 13, 2024.

The Company began capitalizing costs associated with ML 150 to Mineral Properties within Property, Plant and Equipment after technical feasibility and commercial viability was reached December 1, 2016.

Exploration Licenses ("EL") 470, 693, and 1341

The Company holds or applied for renewal certain exploration licenses adjacent to the Company's ML 150. Upon acquisition (Note 4) the Company has not assigned any value to these licenses.

(Presented in United States Dollars)

10. CRH FINANCING

Gold prepayment agreement

On February 4, 2016, amended May 25, 2018, the Company entered into financing agreements with CRH Funding II Pte. Ltd. ("**CRH**"), an affiliate of Cartesian Royalty Holdings and Cartesian Capital Group, consisting of a gold prepayment investment and an equity investment. Upon signing, the Company drew down the first tranche under the gold prepayment agreement (the "**GPA**"), which as per the GPA must be used for project related expenditures.

Under the GPA, CRH provided the Company with $4,813,974 in exchange for a percentage of gold produced at the Irumafimpa and Kora deposits over a 36-month period, subject to a minimum of 18,000 ounces of gold and a maximum of 20,000 ounces of gold.

The Company made the remaining deliveries of gold ounces during the current period and as a result the balance of the CRH financing liability at September 30, 2019 is $Nil:

CRH Financing Liability	September 30, 2019	December 31, 2018
CRH liability, beginning of year	$ 12,816,084	$ 20,003,724
Add:		
Fair value adjustment	1,022,359	(110,118)
Delivery of gold ounces or cash equivalent during the year	(14,169,542)	(7,539,571)
Interest	331,099	430,607
Capitalized interest	-	31,442
Balance, end of period	-	12,816,084
Less:		
Deferred loss, beginning of year	7,484,270	11,894,539
Amortization of deferred loss based on delivered ounces	(7,484,270)	(4,410,269)
	-	(7,484,270)
Balance, end of period	$ -	$ 5,331,814
CRH financing liability, short-term	$ -	$ 5,331,814
CRH financing liability, long-term	$ -	$ -

(Presented in United States Dollars)

10. CRH FINANCING (cont'd…)

Gold prepayment agreement (cont'd…)

The gold prepayment liability is $Nil at September 30, 2019, as such was not remeasured at the end of the period. The gold prepayment liability at December 31, 2018 ($12,816,084) was calculated using the following assumptions:

	September 30, 2019	December 31, 2018
Discount rate	-	6.30%
Expected life of gold stream	-	10 months
Expected remaining repayment in gold ounces	-	10,272
Future gold price per ounce	-	$1,280

The difference of cash received of $962,795 and the initial fair value of the gold prepayment liability of $15,534,971 was recorded as a deferred loss. The deferred loss is amortized as the gold ounces or equivalent are delivered under the contract.

As security for the Company's obligations under the GPA, the Company has granted CRH a comprehensive general security interest in all of the Company's present and future property, together with specific security granted by the Company's subsidiaries in Papua New Guinea. In conjunction with the final gold delivery during the quarter ended September 30, 2019, CRH no longer holds a security interest in the Company's property.

As additional consideration for the financing, the Company's wholly owned subsidiaries in Papua New Guinea granted CRH an amended 0.50% (originally 0.25%) net smelter return ("**NSR**") royalty on Kora and a 0.50% NSR on Irumafimpa. For the nine months ended September 30, 2019, the Company paid or accrued an NSR of $202,208 (2018 - $102,038).

On June 10, 2019, the Company purchased back the Kora and Irumafimpa NSR's for a purchase price of $3,014,659 (CAD$4,000,000), capitalized as part of additions to Mineral Properties (Note 10).

CRH will be entitled to representation on the board of directors of the Company so long as CRH maintains at least a 5% equity ownership in the Company. As of September 30, 2019, the GPA no longer remains outstanding and CRH has less than a 5% equity ownership interest in the Company.

11. LOAN

On July 1, 2019, the Company and Trafigura Pvt. Ltd. ("**Trafigura**") entered into a loan agreement pursuant to which Trafigura provided a $15,000,000 loan (the "**Loan**") to the Company to be repaid over 2 years (three-month payment holiday), bearing interest at 10% + 3-month LIBOR per annum. During the period ending September 30, 2019, the Company has recorded accrued interest of $368,329 to accruals and provisions.

The loan has been designated a financial liability at amortized cost and is recorded net of transaction costs and amortized over the 2-year life using an effective interest rate of 13.466%, calculated based on the current 3-month LIBOR. Transaction costs associated with the loan were $358,227 (2018 - $Nil). For the nine months ended September 30, 2019, a total of $34,793 (2018 – $Nil) of amortization of the transaction costs were expensed to interest and finance costs in the statement of operations.

(Presented in United States Dollars)

11. LOAN (cont'd…)

The loan agreement provides that in certain circumstances of default, Trafigura may accelerate repayment of the loan. Subject to a grace period, if the Loan is not then repaid, Trafigura may convert all or any portion of the Loan into common shares of the Company at a conversion price equal to US$1.3794 per share (the "**Conversion Rights**").

Loan		September 30, 2019	December 31, 2018
Loan – beginning of year	$	-	-
Loan proceeds, net of transaction costs		14,641,773	-
Amortization of transaction costs		34,793	-
Balance, end of period	$	14,676,566	-
Loan, current portion	$	7,704,293	-
Loan, non-current portion	$	6,972,273	-

12. RECLAMATION AND CLOSURE COST OBLIGATIONS

When the Company exhausts or abandons a mining property or an exploration site, it is required to undertake certain reclamation and closure procedures under the terms of the legislation enacted by the Government of Papua New Guinea.

		September 30, 2019		December 31, 2018
Balance – beginning of year	$	1,891,298	$	2,354,323
Foreign exchange movement		(21,120)		(191,834)
Change in estimates		-		(421,850)
Accretion		124,118		150,659
Balance – end of period	$	1,994,296	$	1,891,298

The provision has been measured at the estimated value of future rehabilitation costs and estimated mine life of 13 years. The estimated cash-flows were discounted to present value using a risk-free discount rate of 8.59% (December 31, 2018 – 8.59%).

Periodically the Company reviews the estimate of future costs of the requisite reclamation and closure work required by current legislative standards. The current total estimate for all properties anticipates undiscounted future cash outflows to meet required legislative standards for reclamation and closure work in the amount of $6,126,643, with first expenditures anticipated in 2031 (previously estimated 2026). These future cash outflows have been discounted at the risk-free interest rate considered applicable in Papua New Guinea where the Company's properties are located.

(Presented in United States Dollars)

13. SHARE CAPITAL AND RESERVES

Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

Issued share capital

As at September 30, 2019, the Company had 212,671,587 common shares issued and outstanding.

Share issuances

During the nine months ended September 30, 2019, the Company:

a) Issued 9,503,662 common shares of the Company upon the conversion of the 5,000,000 preferred shares by the preferred shareholders.

b) Completed a private placement by issuing 9,474,000 common shares at a price of CAD$1.90 per common share for gross proceeds of CAD$18,000,600 ($13,627,894). As part of the financing, the Company issued 1,421,100 agent options to the underwriters who then exercised providing an additional CAD$2,700,090 ($2,044,184) or CAD$20,700,690 ($15,672,078) in aggregate. The Company paid $1,022,922 in cash commissions and $37,366 in other costs related to the financing.

During the year ended December 31, 2018, the Company completed a private placement by issuing 14,444,500 units at a price of CAD$0.45 per unit for gross proceeds of CAD$6,500,025. Each unit consisted of one common share and one-half of one common share purchase warrant, which each warrant entitling the holder to purchase one common share at a price of CAD$0.65 for 18 months from closing. As part of the financing, the Company issued 1,011,115 agent warrants with the same terms as above with a fair value of $138,921 using the Black-Scholes pricing model and paid $438,020 as share issuance costs.

Stock options and warrants

Stock option and warrant transactions are summarized as follows:

	Warrants			Stock options		
	Number		Weighted Average Exercise Price (CAD)	Number		Weighted Average Exercise Price (CAD)
Outstanding, December 31, 2017	36,392,976	$	1.03	13,910,600	$	0.64
Granted / Issued	8,233,365		0.65	4,660,000		0.77
Exercised	(4,514,109)		0.88	(745,700)		0.53
Forfeited	-		-	(1,440,800)		0.81
Expired	(33,792,976)		1.03	-		-
Outstanding, December 31, 2018	6,319,256	$	0.65	16,384,100	$	0.67
Granted / Issued	-		-	4,530,000		1.75
Exercised	(6,317,406)		0.65	(4,504,200)		0.59
Forfeited	-		-	(149,500)		0.59
Expired	(1,850)		0.65	-		-
Outstanding, September 30, 2019	-	$	-	16,260,400	$	0.99
Number currently exercisable	-	$	-	12,719,600	$	0.82

(Presented in United States Dollars)

13. SHARE CAPITAL AND RESERVES (cont'd…)

Stock options outstanding

The following incentive stock options were outstanding at September 30, 2019:

Number	Exercise price ($CAD)	Expiry date
3,766,000	0.45	May 20, 2021
100,000	1.93	July 29, 2021
1,800,000	1.00	December 5, 2021
2,470,000	0.65	October 23, 2022
120,000	0.60	March 9, 2023
1,784,000	0.85	April 30, 2023
1,690,400	0.74	November 19, 2023
250,000	1.10	January 31, 2024
2,175,000	1.67	May 30, 2024
690,000	1.85	July 4, 2024
1,265,000	1.92	September 16, 2024
150,000	2.10	September 23, 2024

Share-based payments

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's shares, forfeiture rate, and expected life of the options. Under the plan the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant.

The following weighted average assumptions were used for the valuation of stock options:

	September 30, 2019	December 31, 2018
Risk-free interest rate	1.44%	2.15%
Expected life of options	2.75 years	4.5 years
Annualized volatility	96.96%	74.73%
Dividend rate	0.00%	0.00%
Forfeiture rate	5.00%	5.00%

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

The carrying values of cash, trade and other receivables, and trade and other payables approximate their fair values due to the short-term nature of these instruments.

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

Financial risk factors

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

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. Expected credit losses on accounts receivables do not have a material impact on the Company's condensed consolidated financial statements at September 30, 2019.

Liquidity risk

The Company has in place a planning and budgeting process to manage its liquidity risk and ensure it has sufficient liquidity to meet liabilities when due. For the nine months ended September 30, 2019 the Company had operating cash-flow of $12,910,698 (2018 - $11,871,213) and as at September 30, 2019, the Company had a cash and cash equivalents balance of $17,545,588 (December 31, 2018 - $6,205,616) and a working capital of $17,904,288 (December 31, 2018 - $3,992,004), which consisted of current assets of $39,197,598 (2018 - $19,263,898) and current liabilities of $21,293,310 (December 31, 2018 - $15,271,894). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors (cont'd…)

Market risk

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

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash and cash equivalents balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at September 30, 2019, the Company did not have any investments in investment-grade short-term deposit certificates. The Company's Loan with Trafigura is exposed to interest rate risk as interest payments are calculated using the 3-month LIBOR rate.

b) Foreign currency risk

The Company's foreign exchange risk arises from transactions denominated in other currencies. Through this, the Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables, prepayments, accounts payable and accrued liabilities and reclamation and closure costs obligations that are denominated in Australian Dollars, Papua New Guinea Kina, United States Dollar and Canadian Dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

c) Price risk

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

(Presented in United States Dollars)

15. SEGMENTED INFORMATION

The Company's only operating segment is the operating of gold mining activities in Papua New Guinea. The Company's development activities are all located in Papua New Guinea, with its head office function in Canada. All of the Company's capital assets, including property, plant and equipment are located in Papua New Guinea.

Nine months ended September 30, 2019	Australia	Papua New Guinea	Canada	Total
Net Income (loss)	$ (129)	$ 23,404,241	$ (13,404,379)	$ 9,999,733

Nine months ended September 30, 2018	Australia	Papua New Guinea	Canada	Total
Net Income (loss)	$ -	$ 11,635,654	$ (6,078,360)	$ 5,557,294

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the nine months ended September 30, 2019, the Company converted 5,000,000 preferred shares into common shares of the Company with a value of $1,018,876.

During the nine months ended September 30, 2018, the Company:

a) Issued finder warrants with a fair value of $138,921 as share issuance costs;

b) Capitalized share-based payments of $25,595 to mineral properties under development; and

c) Transferred 4,053 gold credits to CRH as part of the GPA (Note 10).

(Presented in United States Dollars)

17. REVENUE

For the	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September, 2018 [1]
Gold in concentrate	$ 22,058,659	$ 9,413,059	$ 68,712,278	$ 31,512,892
Copper in concentrate	181,836	262,642	1,250,422	785,462
Silver in concentrate	3,602	5,340	42,504	44,473
Pricing adjustments	(524,006)	(146,022)	(419,437)	(275,306)
Treatment and refining charges	(731,055)	(144,938)	(1,309,188)	(417,212)
	$ 20,989,036	$ 9,390,081	$ 68,276,579	$ 31,650,309

[1] Revenue was generated from concentrate sales from February 1, 2018, the date of declaration of commercial production. Proceeds from the sale of concentrate during the commissioning phase of the operations was recorded as pre-production revenue credited against property, plant and equipment (Note 9).

18. COST OF SALES

For the	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Direct mining and milling	$ 1,316,465	$ 2,441,809	$ 6,848,331	$ 5,714,806
Maintenance	2,186,087	991,668	6,006,699	2,772,901
Other site costs	4,689,310	3,522,627	13,690,317	8,371,373
Net smelter royalties	1,478,280	-	1,638,187	-
Depletion and depreciation	2,568,756	476,438	5,886,148	1,621,256
	$ 12,238,898	$ 7,432,542	$ 34,069,682	$ 18,480,336

19. CONSULTING AND ADMINISTRATIVE

For the	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Management, consulting and wages	$ 412,650	$ 127,724	$ 933,766	$ 566,168
Professional fees	29,994	1,215	238,911	196,205
Office, filing and administrative	79,792	10,221	345,782	449,167
Travel	36,245	35,371	192,060	127,849
	$ 558,681	$ 174,531	$ 1,710,519	$ 1,339,389

20. SUBSEQUENT EVENTS

Subsequent to September 30, 2019, the Company:

a) Issued 50,000 stock options with an exercise price of CAD$2.13 exercisable until October 1, 2024;

b) Received CAD$75,000 from the exercise of 110,000 stock options; and

c) Paid $1,244,079 of principal and accrued interest to Trafigura as repayment of the Loan (Note 11).