K92 MINING INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Presented in United States Dollars)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

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

AS AT	June 30, 2017	December 31, 2016
ASSETS		
Current		
Cash and cash equivalents	$ 7,803,895	$ 4,291,697
Receivables	85,947	114,076
Subscriptions receivable (Note 11)	1,817,256	-
Inventory (Note 3)	1,496,186	931,160
Prepayments (Note 4)	864,179	266,427
	12,067,463	5,603,360
Property, plant and equipment (Note 7)	31,482,616	19,270,625
	$ 43,550,079	$ 24,873,985
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 9,570,514	$ 6,182,335
CRH financing (Note 9)	4,954,640	4,128,134
Finance lease (Note 7)	260,667	221,813
	14,785,821	10,532,282
Finance lease (Note 7)	16,292	104,021
CRH financing (Note 9)	2,330,486	2,878,075
Reclamation and closure cost obligations (Note 10)	2,489,730	2,170,823
	19,622,329	15,685,201
Shareholders' equity		
Share capital (Note 11)	44,724,597	28,315,925
Preferred shares (Note 9 and 11)	1,018,876	1,018,876
Contributed surplus (Note 11)	8,929,019	4,268,350
Accumulated other comprehensive loss	(596,177)	(938,836)
Deficit	(30,148,565)	(23,475,531)
	23,927,750	9,188,784
	$ 43,550,079	$ 24,873,985

Nature of business, going concern and change in year-end (Note 1)

Approved and authorized by the Board of Directors on August 28, 2017:

"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 INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Presented in United States Dollars - unaudited)

	For the three months ended June 30, 2017	For the three months ended May 31, 2016	For the six months ended June 30, 2017	For the six months ended May 31, 2016
EXPENSES				
Accretion expense (Note 10)	$ 7,824	$ 66,674	$ 75,858	$ 86,203
Amortization (Note 7)	-	35,210	-	72,867
Consulting and administrative (Note 6)	455,351	555,925	1,013,889	952,646
Exploration and evaluation expenditures	94,866	8,592	186,660	158,012
Financing fee	-	230,000	-	367,542
Foreign exchange	25,488	(16,774)	55,383	11,026
Mine site administration expense	-	1,476,106	-	1,785,099
Interest expense	-	19,419	-	36,850
Investor relations	209,410	308,678	502,605	308,678
Share-based payments	474,412	48,355	992,573	48,355
	$ (1,267,351)	$ (2,732,185)	$ (2,826,967)	$ (3,827,278)
OTHER				
Gain on settlement of debt	-	338,721	-	383,721
Listing expense	-	(1,619,532)	-	(1,619,532)
Net smelter return expense (Note 9)	(2,856)	-	(2,856)	-
Fair value gain (loss) on gold purchase agreement (Note 9)	234,766	-	(1,657,385)	-
Amortization of deferred loss (Note 9)	-	-	(2,185,826)	-
Loss for the period	$ (1,035,441)	$ (4,012,996)	$ (6,673,034)	$ (5,063,089)
Items that may be reclassified to net loss				
Other comprehensive income				
Cumulative translation adjustment	128,731	-	342,659	-
Loss and comprehensive loss for the period	$ (906,710)	$ (4,012,996)	$ (6,330,375)	$ (5,063,089)
Basic and diluted loss per common share	$ (0.01)	$ (0.08)	$ (0.05)	$ (0.10)
Weighted average number of common shares outstanding	136,502,643	52,288,697	128,840,993	50,188,370

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

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

	For the six months ended June 30, 2017	For the six months ended May 31, 2016
CASH FROM OPERATING ACTIVITIES		
Loss for the period	$ (6,673,034)	$ (5,063,089)
Items not affecting cash:		
Unrealized foreign exchange gain (loss)	163,487	371,739
Accrued interest	-	36,850
Accretion expense (Note 10)	75,858	86,203
Amortization of deferred loss (Note 9)	2,185,826	-
Fair value loss on gold purchase agreement (Note 9)	1,657,385	-
Share-based payments (Note 11)	992,573	48,355
Amortization (Note 7)	-	72,867
Gain on settlement of debt	-	(383,721)
Changes in non-cash working capital items:		
Inventory	(565,026)	(61,990)
Receivables	28,129	(29,461)
Prepayments	(597,752)	(162,542)
Accounts payable and accrued liabilities	445,771	(305,662)
Net cash used in operating activities	(2,286,783)	(5,390,451)
CASH FROM INVESTING ACTIVITIES		
Lease payments	(48,875)	-
Acquisition of Otterburn Resources Corp.	-	1,472,329
Acquisition of Property, plant and equipment	(8,825,228)	(1,982,316)
Net cash used in investing activities	(8,874,103)	(509,987)
CASH FROM FINANCING ACTIVITIES		
Proceeds on issuance of capital stock (Note 11)	18,047,207	-
Proceeds on exercise of warrants	1,095,111	-
Proceeds on exercise of stock options	31,167	-
CRH financing (Note 9)	-	4,401,348
Loans received by the Company	-	50,922
Loans repaid by the Company	-	(560,487)
Loans received from Otterburn prior to the RTO	-	3,964,129
Purchase of gold credits (Note 9)	(3,765,600)	-
Share issuance costs (Note 11)	(913,973)	(13,950)
Net cash provided by financing activities	14,493,912	7,841,962
Change in cash and cash equivalents during the period	3,333,026	1,941,524
Effect of foreign exchange on cash	179,172	-
Cash and cash equivalents, beginning of period	4,291,697	11,660
Cash and cash equivalents, end of period	$ 7,803,895	$ 1,953,184
Cash paid for interest	$ -	$ -
Cash paid for taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 14)

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

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

	Share capital							
	Number	**Amount**	**Preferred shares**	**Contributed surplus**	**Subscriptions receivable**	**Accumulated other comprehensive loss**	**Deficit**	**Total**
Balance at November 30, 2015	49,126,666	2,817,692	-	30,744	-	-	(5,033,685)	(2,185,249)
Acquisition of Otterburn Resources Corp.	4,459,775	906,432	-	-	-	-	-	906,432
Private placements	21,393,608	4,293,186	-	1,420,179	-	-	-	5,713,365
Share issuance costs, shares	592,700	118,941	-	-	-	-	-	118,941
Share issuance costs, shares	-	(118,941)	-	-	-	-	-	(118,941)
Share issuance costs, warrants	-	(72,695)	-	72,695	-	-	-	-
Share issuance costs, cash	-	(13,950)	-	-	-	-	-	(13,950)
Share-based payements	-	-	-	48,355	-	-	-	48,355
Loss for the period	-	-	-	-	-	-	(5,065,089)	(5,065,089)
Balance at May 31, 2016	75,572,749	7,930,665	-	1,571,973	-	-	(10,096,774)	(594,136)
Balance at August 31, 2016	98,281,044	20,275,965	2,037,752	4,032,145	-	(219,094)	(19,381,427)	6,745,341
Conversion of preferred shares (Note 9 and 11)	9,503,662	1,018,876	(1,018,876)	-	-	-	-	-
Exercise of warrants	11,641,821	7,021,084	-	(733,191)	-	-	-	6,287,893
Share-based payments (Note 11)	-	-	-	969,396	-	-	-	969,396
Cumulative translation adjustment	-	-	-	-	-	(719,742)	-	(719,742)
Loss for the period	-	-	-	-	-	-	(4,094,104)	(4,094,104)
Balance at December 31, 2016	119,426,527	$28,315,925	$ 1,018,876	$ 4,268,350	$ -	$ (938,836)	$(23,475,531)	$ 9,188,784
Private placements	34,026,583	16,363,592	-	3,500,871	(1,817,256)	-	-	18,047,207
Share issuance costs, units	1,053,333	464,920	-	131,937	-	-	-	596,857
Share issuance costs, units	-	(596,857)	-	-	-	-	-	(596,857)
Share issuance costs, cash	-	(913,973)	-	-	-	-	-	(913,973)
Share issuance costs, warrants	-	(236,351)	-	236,351	-	-	-	-
Exercise of warrants	2,936,436	1,290,039	-	(194,928)	-	-	-	1,095,111
Exercise of stock options	92,400	37,302	-	(6,135)	-	-	-	31,167
Share-based payments (Note 11)	-	-	-	992,573	-	-	-	992,573
Cumulative translation adjustment	-	-	-	-	-	342,659	-	342,659
Loss for the period	-	-	-	-	-	-	(6,673,034)	(6,673,034)
Balance at June 30, 2017	157,535,279	$44,724,597	$ 1,018,876	$ 8,929,019	$ (1,817,256)	$ (596,177)	$(30,148,565)	$ 22,110,494

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

1. NATURE OF BUSINESS AND GOING CONCERN

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. The Company is currently engaged in the exploration and development of mineral deposits in Papua New Guinea, specifically the Kainantu Project that includes the Irumafimpa mine and mill and the Kora deposit.

The Company's head office and principal address is 488 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3B7. The registered and records office is 550 Burrard Street, Vancouver, British Columbia, V6C 0A3.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

As at June 30, 2017, the Company had a cumulative deficit of $30,148,565, working capital deficit of $2,718,358 and cash and cash equivalents of $7,803,895. The Company may require additional funds to commence full commercial mining operations at Irumafimpa, to fund and maintain general and administrative expenses over the coming year and to settle current liabilities when they fall due. There can be no assurance that adequate additional financing will be available at terms acceptable to the Company or at all, which may cast significant doubt on the Company's ability to continue as a going concern.

The condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations; these adjustments could be material. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

CHANGE OF YEAR-END

During the four months ended December 31, 2016, the Company approved a change in its year-end from August 31st to December 31st. The Company's transition period was the four months ended December 31, 2016. The comparative period in these condensed consolidated interim financial statements is the three and six months ended May 31, 2016. The new financial year aligns the Company with its peers and the statutory requirements of Papua New Guinea.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and follow the same accounting policies and methods of application as the Company's most recent annual audited consolidated financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

Basis of Presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial liabilities measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed consolidated interim financial statements of the Company are presented in United States dollars, which is the functional currency of K92 Mining Ltd. and K92 Holdings International Limited. The parent company, K92 Mining Inc., has a functional currency of the Canadian Dollar.

(Presented in United States Dollars - unaudited)

3. INVENTORY

Inventory of $1,496,186 as of June 30, 2017 (December 31, 2016 - $931,160) consists of mine supplies, consumables and fuel.

4. PREPAYMENTS

Prepayments of $864,179 as of June 30, 2017 (December 31, 2016 - $266,427) consists of prepaid insurance and investor relations.

5. EXPLORATION AND EVALUATION ASSETS

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.

As a requirement of the mining lease, the Company must commence mining operations on the Kora deposit located on ML 150 on or before June 30, 2018.

The Company began capitalizing costs associated with ML 150 to Mineral Properties under Development 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 certain exploration licenses adjacent to the Company's ML 150. The Company has not assigned any value to these licenses.

6. EXPENSES

Consulting and administrative expense consisted of the following:	June 30, 2017	May 31, 2016
Consulting	$ 686,142	$ 330,074
Professional fees	86,062	391,143
Office and administrative	123,092	131,976
Travel	118,593	99,453
	$ 1,013,889	$ 952,646

(Presented in United States Dollars - unaudited)

7. PROPERTY, PLANT AND EQUIPMENT

	Mineral Properties under Development	Mine and Mill Refurbishment	Vehicles	Equipment under finance lease	Mobile Fleet	Infrastructure - Residence Camp	Infrastructure – Plant Area	Total
Cost								
Balance, August 31, 2016	$ -	$ 7,037,287	$ 146,040	$ 464,692	$2,036,974	$ 743,058	$ 205,870	$ 10,633,921
Additions	2,166,499	6,434,633	-	-	-	205	303,555	8,904,892
Balance, December 31, 2016	2,166,499	13,471,920	146,040	464,692	2,036,974	743,263	509,425	19,538,813
Additions	11,005,966	1,523,016	260,082	-	-	-	-	12,789,064
Capitalized depreciation	191,023	-	-	-	-	-	-	191,023
Capitalized pre-production proceeds	-	(577,073)	-	-	-	-	-	(577,073)
Balance, June 30, 2017	$ 13,363,488	$ 14,417,863	$ 406,122	$ 464,692	$ 2,036,974	$ 743,263	$ 509,425	$ 31,941,827
Accumulated depreciation								
Balance, August 31, 2016	$ -	$ -	$ 72,420	$ -	$ -	$ 119,310	$ 33,057	$ 224,787
Depreciation for the year	-	-	14,000	-	-	23,022	6,379	43,401
Balance, December 31, 2016	-		86,420	-	-	142,332	39,436	268,188
Depreciation for the period	-	88,082	20,610	3,099	12,424	34,955	31,853	191,023
Balance, June 30, 2017	$ -	$ 88,082	$ 107,030	$ 3,099	$ 12,424	$ 177,287	$ 71,289	$ 459,211
Carrying amounts								
As at December 31, 2016	$ 2,166,499	$ 13,471,920	$ 59,620	$ 464,692	$ 2,036,974	$ 600,931	$ 469,989	$ 19,270,625
As at June 30, 2017	$ 13,363,488	$ 14,329,781	$ 299,092	$ 461,593	$ 2,024,550	$ 565,976	$ 438,136	$ 31,482,616

All of the Company's mining properties and related property, plant and equipment are located in Papua New Guinea.

The costs associated with ML 150 have been capitalized since December 2016 and were reclassified from exploration and evaluation ("E&E") assets to Mineral Properties under Development. At December 1, 2016, the Company had completed a preliminary economic assessment ("PEA") showing a positive net present value. In addition one of the risks identified, power supply, was mitigated with the five-year power agreement. As a result of these factors, ML 150 transitioned from an E&E asset under IFRS 6 to mineral properties, plant and equipment under IAS 16. At the time of the transition from exploration and evaluation to plant and equipment, the Company completed an impairment test as required by IFRS 6. The impairment test compared the carrying amount of ML 150 to its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and value in use. The Company estimated the recoverable amount based on the fair value less costs of disposal using a discounted cash flow model based on the Company's PEA. The significant assumptions that impact the resulting fair value include future gold prices, exchange rates, capital cost estimates, operating cost estimates, estimated reserves and resources and the discount rate. Upon completion of the impairment test, the Company concluded there was no impairment.

(Presented in United States Dollars - unaudited)

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

The Company has recorded the following as finance leases

	June 30, 2017	December 31, 2016
Equipment leases payable in monthly instalments of $16,292 plus interest at 8.52% per annum. Matures July 2018.	$ 276,959	$ 325,834
Present value of future minimum lease payments	$ 276,959	$ 325,834
Current portion	$ 260,667	$ 221,813
Long-term portion	$ 16,292	$ 104,021

8. RELATED PARTY TRANSACTIONS

Key management compensation

During the six month period ended June 30, 2017, the Company paid or accrued:

a) Consulting fees of $144,000 (May 31, 2016 - $75,000) to a director and former CEO of the Company, $50,400 (May 31, 2016 – $45,000) to the CFO of the Company, $131,400 (May 31, 2016 - $120,000) to the CEO, director, and former COO of the Company, $Nil (May 31, 2016 - $30,000) to the former COO of the Company, $37,500 (May 31, 2016 - $31,250) to the Chairman of the Board, and $108,000 (May 31, 2016 – $48,000) to the president of the Company. The Company also paid professional fees of $9,066 (May 31, 2016 - $6,155) to a Company related to the CFO.

b) Share-based payments of $857,323 (May 31, 2016 - $32,397) to the officers and directors of the Company was recorded.

Included in accounts payable and accrued liabilities is $93,696 (December 31, 2016 - $4,951) due to directors, officers, and companies controlled by directors and officers of the Company that is non-interest bearing and due on demand.

9. CRH FINANCING

Gold prepayment agreement

On February 4, 2016, 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 committed to provide the Company with up to $4,813,974 over four tranches in exchange for a percentage of gold produced at Irumafimpa over a 36-month period, subject to a minimum of 18,000 ounces of gold and a maximum of 20,000 ounces of gold. During the six month period ended June 30, 2017 the Company purchased 3,000 ounces of gold credits and delivered them to CRH per the terms of the GPA.

(Presented in United States Dollars - unaudited)

9. CRH FINANCING (cont'd…)

Gold prepayment agreement (cont'd…)

CRH advanced the first tranche of $962,795 on February 4, 2016, the second tranche of $1,375,421 on March 23, 2016, the third tranche of US$2,063,132 on May 10, 2016, and the fourth tranche of $412,626 on June 6, 2016 under the GPA.

The Company recorded a CRH financing liability as follows:

CRH Financing Liability		June 30, 2017		December 31, 2016
CRH liability, beginning of period	$	21,578,385	$	24,013,295
Add:				
Fair value adjustment		1,657,385		(2,564,810)
Delivery of gold ounces during the period		(3,765,600)		-
Capitalized interest		201,306		129,900
		19,671,476		21,578,385
Less:				
Deferred loss		14,572,176		14,572,176
Amortization of deferred loss based on delivered ounces		(2,185,826)		-
		(12,386,350)		(14,572,176)
Balance, end of period	$	7,285,126	$	7,006,209
CRH financing liability, short-term	$	4,954,640	$	4,128,134
CRH financing liability, long-term	$	2,330,486	$	2,878,075

$507,777 (December 31, 2016 – $306,471) representing the interest component of the CRH financing has been capitalized to property, plant and equipment during the period as they meet the criteria of being qualifying assets.

The gold prepayment liability of $19,671,476 (December 31, 2016 - $21,578,385) was calculated using the following assumptions:

	June 30, 2017	December 31, 2016
Discount rate	8.59%	8.09%
Expected life of gold stream	19 months	22 months
Expected remaining repayment in gold ounces	17,000	20,000
Future gold price per ounce	$1,242	$1,165

(Presented in United States Dollars - unaudited)

9. CRH FINANCING (cont'd…)

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 and is recognized over the units of production.

Preferred unit financing

In addition to the advances under the GPA, CRH committed to an equity investment of up to CAD$3,500,000 ($2,677,419) in the Company over two tranches, pursuant to which CRH subscribed for up to 10 million units of the Company at CAD$0.35 per unit. CRH advanced the first tranche of CAD$1,900,000 on June 6, 2016 and the second tranche of CAD$1,600,000 on July 4, 2016. Of which, $2,037,752 in value was attributed to the preferred shares and $639,667 in value was attributed to the warrants. Each unit consisted of:

- One Class A preferred share, convertible into approximately 1.9 ordinary common shares of the Company. Each Class A preferred share is redeemable by CRH at 1.5 times the original subscription price of CAD$3,500,000 if K92 is unable to meet certain conditions, including the delivery requirements of gold under the GPA.

- One warrant entitling CRH to purchase one ordinary share of the Company, exercisable at CAD$0.75 per share for a period of two years following the date of issue. At the discretion of the Company, a forced exercise clause will exist on these warrants if shares of the Company trade at CAD$1.25 or greater and a minimum of 30,000 shares trade each day and a minimum daily average of 100,000 for 10 consecutive days during the two-year term. During the period ended December 31, 2016, the warrants were exercised.

As security for the Company's obligations under the GPA and the Class A preferred shares issued to CRH under the equity component, K92 has granted CRH a comprehensive general security interest in all of K92's present and future property, together with specific security granted by the Company's subsidiaries in Papua New Guinea.

As additional consideration for the financing, the Company's wholly owned subsidiaries in Papua New Guinea have granted CRH a 0.25% net smelter return ("**NSR**") royalty on Kora (with a buyback provision of $2,000,000) and a 0.5% NSR on Irumafimpa.

CRH will be entitled to representation on the board of directors of the Company so long as the GPA remains outstanding or CRH maintains at least a 5% equity ownership in the Company.

10. 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.

	Period ended June 30, 2017	Period ended December 31, 2016
Balance – beginning of period	$ 2,170,823	$ 2,094,166
Foreign exchange movement	243,049	17,033
Accretion	75,858	59,624
Balance – end of period	$ 2,489,730	$ 2,170,823

10. RECLAMATION AND CLOSURE COST OBLIGATIONS (cont'd…)

The provision has been measured at the estimated value of future rehabilitation costs and estimated mine life of 10 years. The estimated cash-flows were discounted to present value using a risk-free discount rate of 7.84% (December 31, 2016 – 7.84%).

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 $5,502,120. 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.

11. SHARE CAPITAL AND RESERVES

Authorized share capital

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

Issued share capital

As at June 30, 2017, the Company had 157,535,279 common shares and 5,000,000 preferred shares issued and outstanding.

Share issuances

During the period ended June 30, 2017, the Company:

a) Completed a brokered and non-brokered private placement by issuing 20,693,250 units at a price of CAD$0.80 per unit for gross proceeds of CAD$16,554,600 ($12,309,305) of which CAD$14,110,600 ($10,492,049) was received during the period and CAD$2,444,000 ($1,817,256) was received subsequent to June 30, 2017. Each unit consisted of one common share and one share purchase warrant exercisable for one year at a price of CAD$1.05. In connection with the offering, the Company issued finder's fee warrants with a fair value of $236,351 with the same terms as above and paid cash of $887,689.

b) Completed a non-brokered private placement by issuing 13,333,333 units at a price of CAD$0.75 per unit for gross proceeds of CAD$10,000,000 ($7,555,158). Each unit consisted of one common share and one share purchase warrant exercisable for one year at a price of CAD$1.00. In connection with the offering, the Company paid finder's fees of 1,053,333 shares and 1,053,333 warrants with the same terms as above.

During the period ended December 31, 2016, the Company:

a) Exercised its right to trigger the early exercise clause (Note 12) on the 10,000,000 warrants exercisable at CAD$0.75 and received CAD$7,500,000; and

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

(Presented in United States Dollars - unaudited)

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

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, August 31, 2016	33,255,576	$	0.69	7,285,000	$	0.47
Granted / Issued	-		-	3,265,000	$	1.00
Exercised	(11,641,821)		0.71	-		-
Outstanding, December 31, 2016	21,613,755	$	0.93	10,550,000	$	0.63
Granted / Issued	32,254,326		1.03	-		-
Forfeited	-		-	(67,000)		1.00
Exercised	(2,936,436)		0.50	(92,400)		0.45
Outstanding, June 30, 2017	50,931,645	$	1.02	10,390,600	$	0.63
Number currently exercisable	50,931,645	$	1.02	5,827,733	$	0.45

Stock options outstanding

The following incentive stock options were outstanding at June 30, 2017:

Number		Exercise price (CAD)	Expiry date
7,092,600	$	0.45	May 20, 2021
100,000		1.93	July 29, 2021
3,198,000		1.00	December 5, 2021

Warrants outstanding

The following incentive warrants were outstanding at June 30, 2017:

Number		Exercise price (CAD)	Expiry date
9,770,003	$	0.50	November 20, 2017
7,078,255		1.50	July 20, 2017
1,829,061		1.75	July 25, 2017
14,386,666		1.00	March 21, 2018
17,867,660		1.05	June 27, 2018

(Presented in United States Dollars - unaudited)

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

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. 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:

	June 30, 2017	December 31, 2016
Risk-free interest rate	N/A	0.50%
Expected life of options	N/A	4 years
Annualized volatility	N/A	89.23%
Dividend rate	N/A	0.00%
Forfeiture rate	N/A	0.00%

12. 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 fair value of cash and cash equivalents and receivables approximate their carrying value due to the short-term maturity. Fair value of accounts payable and accrued liabilities and loans payable may be less than the carrying value for some of these instruments given going concern uncertainties described in Note 1.

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.

(Presented in United States Dollars - unaudited)

13. SEGMENTED INFORMATION

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, and exploration and evaluation assets are located in Papua New Guinea.

	Papua New Guinea	Canada	Total
Net loss	$ 317,147	$ 6,355,887	$ 6,673,034

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period ended June 30, 2017, the Company:

a) Issued finder warrants with a fair value of $368,288 as share issuance costs; and

b) Transferred 3,000 gold credits to CRH as part of the GPA (Note 11).

During the period ended May 31, 2016, the Company issued warrants with a fair value of $72,695 as share issuance costs.

15. SUBSEQUENT EVENT

Subsequent to June 30, 2017, the Company sold gold concentrate for $2,038,582, net, subject to final review of material and transferred 675 gold credits to CRH as part of the GPA (Note 9).