

K92 **MINING INC.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Presented in thousands of United States Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

K92 MINING INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Presented in thousands of United States Dollars)

(Unaudited)

As at	March 31, 2024	December 31, 2023
ASSETS		
Current		
Cash and cash equivalents	\$ 66,818	\$ 72,652
Short-term treasury bills	6,552	6,463
Receivables (Note 4)	28,943	27,849
Inventories (Note 5)	32,088	36,023
Prepayments	4,560	3,913
Income tax prepayments	<u>-</u>	<u>597</u>
	138,961	147,497
Deposits on equipment	1,645	1,303
Property, plant and equipment (Note 7)	<u>281,048</u>	<u>264,032</u>
	<u>\$ 421,654</u>	<u>\$ 412,832</u>
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 43,871	\$ 42,512
Income tax payable	568	-
Current portion of lease liabilities (Note 9)	2,795	4,156
Derivative liabilities (Note 10)	<u>2,441</u>	<u>1,206</u>
	49,675	47,874
Deferred tax liabilities	6,833	4,578
Lease liabilities (Note 9)	547	604
Reclamation and closure cost obligations (Note 8)	<u>8,950</u>	<u>8,884</u>
	66,005	61,940
Equity		
Share capital (Note 11)	147,942	146,161
Contributed surplus (Note 11)	30,881	30,972
Accumulated other comprehensive loss	(257)	(257)
Retained earnings	<u>177,083</u>	<u>174,016</u>
	<u>355,649</u>	<u>350,892</u>
	<u>\$ 421,654</u>	<u>\$ 412,832</u>

Subsequent events (Note 18)

Approved and authorized by the Board of Directors on May 10, 2024:

“Saurabh Handa”

Director

“Mark Eaton”

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 EARNINGS**

(Presented in thousands of United States Dollars, except share and per share amounts)

(Unaudited)

For the three months ended	March 31, 2024	March 31, 2023
REVENUE (Note 14)	\$ 59,798	\$ 40,366
COST OF SALES (Note 15)	<u>(40,889)</u>	<u>(23,738)</u>
Earnings from mine operations	18,909	16,628
EXPENSES		
General and administrative (Note 16)	\$ (3,267)	\$ (1,908)
Exploration and evaluation expenditures	(4,541)	(3,772)
Foreign exchange	(1,485)	313
Share-based payments	<u>(1,056)</u>	<u>(1,197)</u>
Earnings from operations	\$ 8,560	\$ 10,064
OTHER		
Interest and finance expense (Note 17)	(1,088)	(1,024)
Interest income	530	847
Loss on derivative instruments (Note 10)	<u>(1,449)</u>	<u>(1,164)</u>
Earnings before taxes	\$ 6,553	\$ 8,723
Income tax expense	<u>(3,486)</u>	<u>(3,714)</u>
Net earnings	<u>\$ 3,067</u>	<u>\$ 5,009</u>
Earnings per share (Note 11)		
Basic	\$ 0.01	\$ 0.02
Diluted	\$ 0.01	\$ 0.02
Weighted average number of shares outstanding (Note 11)		
Basic	235,107,161	233,661,037
Diluted	240,267,665	238,671,865

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 thousands of United States Dollars)

(Unaudited)

For the three months ended	March 31, 2024	March 31, 2023
CASH FROM OPERATING ACTIVITIES		
Net earnings for the period	\$ 3,067	\$ 5,009
Items not affecting cash:		
Unrealized foreign exchange gain (loss)	1,149	(9)
Interest and finance expenses	884	764
Derivative instruments (Note 10)	1,449	1,164
Deferred income tax	2,309	2,317
Share-based payments (Note 11)	1,419	1,462
Depreciation and depletion	9,987	5,914
Net payments for derivatives (Note 10)	(215)	(134)
Changes in non-cash working capital items:		
Inventories	1,955	(2,490)
Receivables	(1,094)	(6,484)
Income tax payable	568	1,398
Prepayments	(50)	483
Accounts payable and accrued liabilities	<u>3,667</u>	<u>(6,447)</u>
Net cash provided by operating activities	<u>25,095</u>	<u>2,947</u>
CASH FROM INVESTING ACTIVITIES		
Deposits for equipment	(1,164)	(1,151)
Acquisition of property, plant and equipment	<u>(27,417)</u>	<u>(22,380)</u>
Net cash used in investing activities	<u>(28,581)</u>	<u>(23,531)</u>
CASH FROM FINANCING ACTIVITIES		
Proceeds on exercise of stock options	271	563
Principal lease payments (Note 9)	<u>(1,470)</u>	<u>(1,280)</u>
Net cash used in financing activities	<u>(1,199)</u>	<u>(717)</u>
Change in cash and cash equivalents during the period	(4,685)	(21,301)
Effect of foreign exchange on cash	(1,149)	10
Cash and cash equivalents, beginning of period	<u>72,652</u>	<u>109,938</u>
Cash and cash equivalents, end of period	<u>\$ 66,818</u>	<u>\$ 88,647</u>
Cash paid for interest	\$ (835)	\$ (904)
Cash received for interest income	\$ 441	\$ 847
Cash paid for taxes	\$ -	\$ -

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 thousands of United States Dollars, except share and per share amounts)

(Unaudited)

	Share capital					
	Number	Amount	Contributed surplus	Accumulated other comprehensive loss	Retained Earnings	Total
Balance at December 31, 2022	233,379,896	\$ 142,066	\$ 26,643	\$ (257)	\$ 140,854	\$ 309,306
Shares issued on exercise of stock options (Note 11)	325,000	840	(277)	-	-	563
Shares issued on vesting of RSUs (Note 11)	45,506	242	(242)	-	-	-
Shares issued on vesting of PSUs (Note 11)	102,389	544	(544)	-	-	-
Share-based payments (Note 11)	-	-	1,462	-	-	1,462
Net earnings for the period	-	-	-	-	5,009	5,009
Balance at March 31, 2023	233,852,791	\$ 143,692	\$ 27,042	\$ (257)	\$ 145,863	\$ 316,340
Shares issued on exercise of stock options (Note 11)	885,000	1,813	(619)	-	-	1,194
Shares issued on vesting of RSUs (Note 11)	132,024	689	(689)	-	-	-
Shares issued on vesting of PSUs (Note 11)	9,359	(33)	33	-	-	-
Share-based payments (Note 11)	-	-	5,205	-	-	5,205
Net earnings for the period	-	-	-	-	28,153	28,153
Balance at December 31, 2023	234,879,174	\$ 146,161	\$ 30,972	\$ (257)	\$ 174,016	\$ 350,892
Shares issued on exercise of stock options (Note 11)	99,700	410	(139)	-	-	271
Shares issued on vesting of RSUs (Note 11)	105,578	604	(604)	-	-	-
Shares issued on vesting of PSUs (Note 11)	173,285	767	(767)	-	-	-
Share-based payments (Note 11)	-	-	1,419	-	-	1,419
Net earnings for the period	-	-	-	-	3,067	3,067
Balance at March 31, 2024	235,257,737	\$ 147,942	\$ 30,881	\$ (257)	\$ 177,083	\$ 355,649

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

K92 MINING INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

March 31, 2024

(Presented in thousands of United States Dollars, except share and per share amounts, unless otherwise noted)

(Unaudited)

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 the Toronto Stock Exchange (TSX) under the symbol “KNT” and quoted on the OTCQX under the symbol “KNTNF”. The Company is currently engaged in the production of gold, copper and silver 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.

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

2. BASIS OF PREPARATION**Statement of Compliance**

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

Basis of Presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments measured at fair value.

These condensed consolidated interim financial statements are presented in United States (“U.S.”) dollars. Financial information for the Company and each of its subsidiaries is measured using its functional currency, being the currency of the primary economic environment in which the entity operates.

The condensed consolidated interim financial statements were approved and authorized for issue by the Audit Committee on May 10, 2024.

3. MATERIAL ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The material accounting policy judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty are substantially the same as those that management applied in the consolidated financial statements for the year ended December 31, 2023. These condensed interim consolidated financial statements should be read in conjunction with the Company’s most recent annual consolidated financial statements for the year ended December 31, 2023.

The Company’s accounting policies are the same as those applied in the Company’s annual consolidated financial statements for the year-ended December 31, 2023.

K92 MINING INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

March 31, 2024

(Presented in thousands of United States Dollars, except share and per share amounts, unless otherwise noted)

(Unaudited)

4. RECEIVABLES

As at	March 31, 2024	December 31, 2023
Trade receivables	\$ 14,145	\$ 15,030
GST receivable	14,187	12,457
Other	<u>611</u>	<u>362</u>
Total	\$ 28,943	\$ 27,849

5. INVENTORIES

As at	March 31, 2024	December 31, 2023
Mine supplies, consumables and fuel	\$ 29,660	\$ 26,980
Ore stockpile	-	3,986
Concentrate and doré	<u>2,428</u>	<u>5,057</u>
Total	\$ 32,088	\$ 36,023

During the three months ended March 31, 2024, the cost of inventory recognized as an expense in cost of sales amounted to \$40.9 million (2023 - \$23.7 million).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	March 31, 2024	December 31, 2023
Trade payables	\$ 12,431	\$ 13,735
Other accounts payable and trade-related accruals	10,089	8,191
Employee accruals	8,801	8,737
Landowners' compensation accrual	<u>12,550</u>	<u>11,849</u>
Total	\$ 43,871	\$ 42,512

Landowners' compensation

The Company has obligations to compensate landowners annually who are affected by the operations of the Kainantu mine. The actual recipients of the compensation and landowners' share of sales royalty cannot be paid as required until the legitimate landowners have been identified by the Papua New Guinean Land Titles Commission ("LTC") and so compensation payments to landowners not yet confirmed by the LTC have been accrued but not paid.

K92 MINING INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

March 31, 2024

(Presented in thousands of United States Dollars, except share and per share amounts, unless otherwise noted)

(Unaudited)

7. PROPERTY, PLANT AND EQUIPMENT

	Mineral Properties	Plant and Equipment	Mobile Fleet and Vehicles	Right-of-Use Assets	Construction in Progress (Expansion) ¹	Total
Cost						
Balance, December 31, 2022	\$ 96,781	\$ 57,956	\$ 39,899	\$ 16,822	\$ 37,040	\$ 248,498
Additions	23,655	9,698	11,658	233	64,197	109,441
Disposals and write-downs	-	(2,945)	(9,369)	-	-	(12,314)
Reclamation changes in estimate	(186)	-	-	-	-	(186)
Transfers	-	8,816	10,901	-	(19,717)	-
Balance, December 31, 2023	120,250	73,525	53,089	17,055	81,520	345,439
Additions	4,116	1,213	1,663	-	18,117	25,109
Reclamation changes in estimate	(86)	-	-	-	-	(86)
Transfers	-	1,838	-	-	(1,838)	-
Balance, March 31, 2024	\$ 124,280	\$ 76,576	\$ 54,752	\$ 17,055	\$ 97,799	\$ 370,462
Accumulated depreciation						
Balance, December 31, 2022	\$ 16,479	\$ 10,458	\$ 23,942	\$ 7,161	\$ -	\$ 58,040
Depreciation and depletion	6,557	10,420	10,548	5,347	-	32,872
Disposals and write-downs	-	(1,261)	(8,244)	-	-	(9,505)
Balance, December 31, 2023	23,036	19,617	26,246	12,508	-	81,407
Depreciation and depletion	1,448	2,169	3,064	1,326	-	8,007
Balance, March 31, 2024	\$ 24,484	\$ 21,786	\$ 29,310	\$ 13,834	\$ -	\$ 89,414
Carrying amounts						
As at December 31, 2023	\$ 97,214	\$ 53,908	\$ 26,843	\$ 4,547	\$ 81,520	\$ 264,032
As at March 31, 2024	\$ 99,796	\$ 54,790	\$ 25,442	\$ 3,221	\$ 97,799	\$ 281,048

¹ Construction in Progress at March 31, 2024 consists of \$50.1 million (2023 - \$49.9 million) in Twin Incline costs, \$5.9 million (2023 - \$5.3 million) in Puma Ventilation Drive costs, \$29.0 million (2023 - \$14.4 million) in Stage 3 Expansion costs, and \$12.8 million (2023 - \$11.9 million) in other expansion costs.

K92 MINING INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

March 31, 2024

(Presented in thousands of United States Dollars, except share and per share amounts, unless otherwise noted)

(Unaudited)

7. PROPERTY, PLANT AND EQUIPMENT (cont'd...)**Mining Lease 150 (“ML 150”)**

The Company holds the mining rights to ML 150 and on December 6, 2022, the Government of Papua New Guinea granted an extension of ML 150 for a period of 10 years to June 13, 2034.

8. 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 as a result of constructive obligations and to comply with legislative requirements established by the Government of Papua New Guinea.

	March 31, 2024	December 31, 2023
Balance, beginning of period	\$ 8,884	\$ 8,478
Change in estimate	(86)	(186)
Accretion	152	592
Balance, end of period	\$ 8,950	\$ 8,884

The provision has been measured as the present value of the estimated future rehabilitation costs using an estimated mine life of 8 years. The estimated cash-flows used to measure the provision were discounted to a present value using a discount rate of 12.4% (2023 – 12.4%) and an inflation rate of 4.7% (2023 – 4.7%). The underlying costs in the provision are calculated using the Papua New Guinea Kina as the reclamation costs will be incurred in Papua New Guinea. As such, the discount and inflation rate used in the calculation reflect the economic factors for Papua New Guinea.

On an annual basis, the Company reviews the estimate of future costs of required reclamation and closure work. The current total estimate for all properties anticipates undiscounted future cash outflows to meet constructive obligations for reclamation and closure work in the amount of \$19.6 million (2023 - \$19.6 million), with first expenditures anticipated in 2032. These future cash outflows have been discounted at the interest rate considered applicable in Papua New Guinea where the Company's properties are located.

9. LEASE LIABILITIES

The Company leases assets including mining equipment and buildings. The assets associated with the lease liabilities are included as Right-of-Use assets within property, plant and equipment (Note 7). During the three months ended March 31, 2024, the Company incurred \$0.1 million (2023 - \$0.3 million) related to interest and finance expenses on the lease liabilities.

K92 MINING INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

March 31, 2024

(Presented in thousands of United States Dollars, except share and per share amounts, unless otherwise noted)

(Unaudited)

9. LEASE LIABILITIES (cont'd...)

The following table summarizes the Company's lease activity and the carrying amounts of the lease liabilities at the present value of the remaining lease payments that are recognized in the statement of financial position:

Lease Liabilities as at	March 31, 2024	December 31, 2023
Lease liabilities, beginning of period	\$ 4,760	\$ 10,097
Additions	-	233
Payments	(1,470)	(6,082)
Interest expense	114	829
Adjustment on currency translation	(62)	(317)
Balance, end of period	\$ 3,342	\$ 4,760
Lease liabilities, current portion	\$ 2,795	\$ 4,156
Lease liabilities, non-current portion	\$ 547	\$ 604

The Company's lease liabilities at March 31, 2024 are summarized as follows:

	Within 1 Year	2-4 Years	Total
Future undiscounted lease payments	\$ 2,946	\$ 635	\$ 3,581
Future finance charges	(151)	(88)	(239)
Total discounted lease liabilities	\$ 2,795	\$ 547	\$ 3,342

10. DERIVATIVE INSTRUMENTS

The Company entered into zero-cost collar contracts during the period whereby it purchases gold put option contracts and sells gold call option contracts with equal and offsetting values at the inception of each contract. These gold call and put contracts will be settled based on the monthly average of the London Bullion Market Association's PM fixing price.

The details of the open commodity contracts as at March 31, 2024, were as follows:

Contracts Outstanding	Quantity (ounces)	Strike Price (\$/ounce)	Settlement Term	Settlement Date
Gold call contracts – sold	6,302	\$2,130	April 2024	June 28, 2024
Gold put contracts – purchased	6,302	\$1,933	April 2024	June 28, 2024
Gold call contracts – sold	10,305	\$2,108	May 2024	July 31, 2024
Gold put contracts – purchased	10,305	\$1,908	May 2024	July 31, 2024
Gold call contracts – sold	7,099	\$2,244	June 2024	August 30, 2024
Gold put contracts – purchased	7,099	\$2,044	June 2024	August 30, 2024

K92 MINING INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

March 31, 2024

(Presented in thousands of United States Dollars, except share and per share amounts, unless otherwise noted)

(Unaudited)

10. DERIVATIVE INSTRUMENTS (cont'd...)

The realized and unrealized losses on the commodity contracts were as follows:

For the three months ended	March 31, 2024	March 31, 2023
Realized loss	\$ (1,234)	\$ (134)
Unrealized loss	<u>(215)</u>	<u>(1,030)</u>
Net losses	\$ (1,449)	\$ (1,164)

The fair value of the commodity contracts is presented on the statement of financial position as follows:

As at	March 31, 2024	December 31, 2023
Derivative liabilities	\$ (2,441)	\$ (1,206)

Fair value for derivative financial instruments are determined using valuation techniques, using assumptions based on market conditions existing at the statement of financial position date.

11. 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 March 31, 2024, the Company had 235,257,737 common shares issued and outstanding.

Share issuances

Except on the exercise of share options and the conversion of RSUs and PSUs, no other shares were issued during the three months ended March 31, 2024.

Equity compensation

The Company's share compensation plan (the "**Share Compensation Plan**") provides for the issuance of Options, RSUs, and PSUs. The Share Compensation Plan was amended effective June 29, 2023 (the "**Amended Plan**").

The Amended Plan allows the Company to grant Options, RSUs and PSUs to its executive officers, directors, employees, and consultants. The total number of options and shares issuable under the Plan cannot exceed 6.75% of the issued and outstanding common shares, on a non-diluted basis, while the maximum number of common shares issuable through options cannot exceed 4% of the issued and outstanding common shares. For RSUs and PSUs, the total number of common shares that may be issuable cannot exceed 2.75% of the outstanding common shares at the time of grant.

K92 MINING INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

March 31, 2024

(Presented in thousands of United States Dollars, except share and per share amounts, unless otherwise noted)

(Unaudited)

11. SHARE CAPITAL AND RESERVES (cont'd...)**Stock options**

Stock option transactions are summarized as follows:

	Number Outstanding	Weighted Average Exercise Price (CAD)
Outstanding, December 31, 2022	8,805,850	\$ 5.06
Exercised	(1,210,000)	1.97
Forfeited	<u>(267,000)</u>	<u>7.44</u>
Outstanding, December 31, 2023	7,328,850	\$ 5.48
Exercised	(99,700)	3.67
Forfeited	<u>(400,000)</u>	<u>7.21</u>
Outstanding, March 31, 2024	6,829,150	\$ 5.41
Number currently exercisable	6,829,150	\$ 5.41

The following incentive stock options were outstanding at March 31, 2024:

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
1.00 – 1.99	1,601,750	1,601,750	1.79	0.28
2.00 – 2.99	235,000	235,000	2.17	0.64
3.00 – 3.99	811,500	811,500	3.84	0.84
4.00 – 4.99	-	-	-	-
5.00 – 8.99	<u>4,180,900</u>	<u>4,180,900</u>	7.28	1.71
	6,829,150	6,829,150	5.41	1.24

The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, expected volatility, 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 as calculated on the date of grant.

During the three months ended March 31, 2024, the Company granted Nil stock options (2023 – Nil).

The weighted average share price on the date of options exercised for the three months ended March 31, 2024, was CAD\$6.40 (2023 – CAD\$6.86).

During the three months ended March 31, 2024, the Company recorded a share-based payment expense of \$Nil (2023 – \$Nil) related to the vesting of options.

K92 MINING INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

March 31, 2024

(Presented in thousands of United States Dollars, except share and per share amounts, unless otherwise noted)

(Unaudited)

11. SHARE CAPITAL AND RESERVES (cont'd...)**Restricted share units**

RSUs vest in three installments; one-third vesting one year from the grant date, one-third vesting two years from the grant date and the remainder vesting three years from the grant date. At the discretion of the Company, RSUs can be settled in either cash or common shares, or a combination of both. RSUs are recorded at fair value based on the Company's share price on the date of grant, adjusted for an estimated forfeiture rate, and then charged to share-based compensation over the period during which the RSUs vest.

During the three months ended March 31, 2024, the Company granted 226,936 RSUs. The estimated fair value of \$1.1 million is being recognized over the vesting period.

	Number Outstanding	Fair Value
Outstanding, December 31, 2022	781,405	\$ 4,390
Granted	1,243,010	5,981
Vested and converted to common shares	(177,530)	(931)
Forfeited	<u>(160,232)</u>	<u>(905)</u>
Outstanding, December 31, 2023	1,686,653	\$ 8,535
Granted	226,936	1,091
Vested and converted to common shares	(105,578)	(604)
Forfeited	<u>(13,206)</u>	<u>(65)</u>
Outstanding, March 31, 2024	<u>1,794,805</u>	<u>\$ 8,957</u>

During the three months ended March 31, 2024, the Company recorded a share-based payment expense of \$0.7 million (2023 – \$0.7 million) related to the vesting of RSUs.

In 2023, the Kainantu Employee Trust Ltd. (the "Trust") was established with the purpose of managing RSUs for beneficiary employees of the Company. This Trust allows for the receipt of RSUs, facilitates the sale of these shares once they have vested and converted into common shares, and manages the distribution of the resulting proceeds to the beneficiary employees. As of March 31, 2024, the Trust held 225,000 RSUs on behalf of these employees.

Performance share units

PSUs vest in three installments; one-third vesting one year from the grant date, one-third vesting two years from the grant date and the remainder vesting three years from the grant date, subject to certain performance criteria having been met. The vesting of the PSUs is based on the Company's share performance in comparison to its peer group with the final number of vested PSUs ranging from 25% to 150% of the initial PSUs granted. At the discretion of the Company, PSUs can be settled in either cash or common shares, or a combination of both.

K92 MINING INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

March 31, 2024

(Presented in thousands of United States Dollars, except share and per share amounts, unless otherwise noted)

(Unaudited)

11. SHARE CAPITAL AND RESERVES (cont'd...)**Performance share units (cont'd...)**

PSUs are recorded at fair value based on a Monte Carlo pricing model at the date of grant, adjusted for an estimated forfeiture rate, and then charged to share-based compensation over the period during which the PSUs vest. For the fair value calculation of granted PSUs during the period ended March 31, 2024, the Monte Carlo pricing model used historical share price volatility of 49% (2023 – 51%), historical share price volatility of its peer group ranging from 32% to 37% (2023 – 40% to 48%) and a Canadian risk-free rate of 4.2% (2023 – 3.5%).

During the three months ended March 31, 2024, the Company granted 340,403 PSUs. The estimated fair value of \$1.4 million is being recognized over the vesting period.

	Number Outstanding	Fair Value
Outstanding, December 31, 2022	759,443	\$ 3,451
Granted	1,189,509	5,024
Vested and converted to common shares	(105,670)	(511)
Forfeited	<u>(202,753)</u>	<u>(937)</u>
Outstanding, December 31, 2023	1,640,529	\$ 7,027
Granted	340,403	1,358
Vested and converted to common shares	(158,369)	(767)
Forfeited	<u>(19,810)</u>	<u>(79)</u>
Outstanding, March 31, 2024	1,802,753	\$ 7,539

During the three months ended March 31, 2024, the Company recorded a share-based payment expense of \$0.8 million (2023 – \$0.7 million) related to the vesting of PSUs.

Earnings per share

The following summarizes the calculation of basic and diluted earnings per share:

For the three months ended	March 31, 2024	March 31, 2023
Earnings for the period	\$ 3,067	\$ 5,009
Basic weighted average number of shares outstanding	235,107,161	233,661,037
Effect of dilutive securities:		
Stock options	1,635,185	2,864,117
Restricted share units	1,744,928	1,045,593
Performance share units	1,780,391	1,101,118
Diluted weighted average number of shares outstanding	240,267,665	238,671,865
Earnings per share		
Basic	\$ 0.01	\$ 0.02
Diluted	\$ 0.01	\$ 0.02

K92 MINING INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

March 31, 2024

(Presented in thousands of United States Dollars, except share and per share amounts, unless otherwise noted)

(Unaudited)

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 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	March 31, 2024		December 31, 2023	
	Level 1	Level 2	Level 1	Level 2
Trade receivables (Note 4)	\$ -	\$ 14,145	\$ -	\$ 15,030
Derivative liabilities (Note 10)	-	(2,441)	-	(1,206)
	\$ -	\$ 11,704	\$ -	\$ 13,824

The fair value of the Company's trade receivables, derivative assets 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 period ended March 31, 2024.

As at March 31, 2024 and December 31, 2023, the carrying amounts of cash and cash equivalents, short-term treasury bills, other receivables, and accounts payable and accrued liabilities 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.

Concentration of Credit Risk

The Company's cash and cash equivalents are held with financial institutions in Canada, Papua New Guinea, and Australia. As of March 31, 2024, a single high-credit quality financial institution in Canada holds approximately 45% of the total cash and cash equivalents. Substantially all of the Company's cash and cash equivalents exceed government insured limits. The Company continually assesses and manages its exposure to credit risk of financial institutions.

K92 MINING INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

March 31, 2024

(Presented in thousands of United States Dollars, except share and per share amounts, unless otherwise noted)

(Unaudited)

13. SEGMENTED INFORMATION

Operating segments are components of an entity that engage in business activities from which they incur expenses and whose operating results are regularly reviewed by a chief operating decision maker to make resource allocation decisions and to assess performance. The Chief Executive Officer is responsible for allocating resources and reviewing operating results of each operating segment on a periodic basis.

The Company's only operating segment is the operating and development of gold mining activities at the Kainantu Project in Papua New Guinea. Corporate & Other includes the Company's head office function in Canada.

Three months ended March 31, 2024	Kainantu Project	Corporate & Other	Total
Net earnings (loss)	\$ 7,943	\$ (4,876)	\$ 3,067
Capital expenditures	\$ 25,109	\$ -	\$ 25,109
As at March 31, 2024			
Property, plant and equipment	\$ 280,087	\$ 961	\$ 281,048
Total assets	\$ 363,971	\$ 57,683	\$ 421,654
Total liabilities	\$ 58,292	\$ 7,713	\$ 66,005
Three months ended March 31, 2023			
Net earnings (loss)	\$ 8,335	\$ (3,326)	\$ 5,009
Capital expenditures	\$ 24,052	\$ -	\$ 24,052
As at December 31, 2023			
Property, plant and equipment	\$ 262,915	\$ 1,117	\$ 264,032
Total assets	\$ 345,791	\$ 67,041	\$ 412,832
Total liabilities	\$ 58,090	\$ 3,850	\$ 61,940

K92 MINING INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

March 31, 2024

(Presented in thousands of United States Dollars, except share and per share amounts, unless otherwise noted)

(Unaudited)

14. REVENUE

For the three months ended	March 31, 2024	March 31, 2023
Gold in concentrate	\$ 45,525	\$ 29,718
Copper in concentrate	5,507	5,470
Silver in concentrate	584	359
Gold and silver in doré	10,928	2,064
Treatment, refining charges and other	<u>(1,876)</u>	<u>(1,593)</u>
Revenue from contracts with customers	60,668	36,018
(Loss) gain on receivables at fair value	<u>(870)</u>	<u>4,348</u>
Total	<u>\$ 59,798</u>	<u>\$ 40,366</u>

15. COST OF SALES

For the three months ended	March 31, 2024	March 31, 2023
Direct mining and milling ²	\$ 8,662	\$ 6,864
Maintenance ²	3,803	1,889
Other site costs	12,187	7,490
Net smelter royalties	1,607	881
Change in inventories	<u>6,615</u>	<u>(395)</u>
	32,874	16,729
Non-cash costs		
Depreciation and depletion	7,482	6,744
Share-based payments	<u>533</u>	<u>265</u>
Total	<u>\$ 40,889</u>	<u>\$ 23,738</u>

² Maintenance costs associated with mining and milling operations for the period ending March 31, 2024, have been reclassified as mining and milling costs. Amounts from previous periods have been similarly reclassified to ensure consistency with the current year's presentation. This reclassification does not impact the total cost of sales.

K92 MINING INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

March 31, 2024

(Presented in thousands of United States Dollars, except share and per share amounts, unless otherwise noted)

(Unaudited)

16. GENERAL AND ADMINISTRATIVE

For the three months ended	March 31, 2024	March 31, 2023
Management, consulting and wages	\$ 2,441	\$ 1,133
Professional fees	91	89
Office, filing and administrative	280	293
Travel	236	214
Investor relations	175	151
Depreciation	<u>44</u>	<u>28</u>
Total	<u>\$ 3,267</u>	<u>\$ 1,908</u>

17. INTEREST AND FINANCE EXPENSE

For the three months ended	March 31, 2024	March 31, 2023
Interest expense	\$ 936	\$ 873
Accretion of reclamation and closure cost obligations	<u>152</u>	<u>151</u>
Total	<u>\$ 1,088</u>	<u>\$ 1,024</u>

18. SUBSEQUENT EVENTS

Subsequent to March 31, 2024, the Company made a \$3.2 million income tax instalment to the Papua New Guinea government.