K92 MINING INC.

("K92" or "the Company")

FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

Introduction

This Management's Discussion and Analysis ("**MD&A**") of K92 Mining Inc. (including its wholly owned subsidiaries, K92 Holdings International Limited (incorporated in British Virgin Islands), K92 Mining (Australia) Pty Ltd. (incorporated in Australia), and K92 Mining Ltd. (incorporated in Papua New Guinea)) is the responsibility of management and covers the three and nine months ended September 30, 2018. The MD&A takes into account information available up to and including November 22, 2018 and should be read together with the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 and the audited consolidated financial statements for the year ended December 31, 2017, which are available on the SEDAR website at www.sedar.com.

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

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

This document contains forward-looking statements. Please refer to "Note Regarding Forward-Looking Statements."

Description of Business

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

Performance Summary and Subsequent Events

During the three-month period ended September 30, 2018, the Company:

- Had revenue of $9,390,081 from concentrate sales;

- Had its revenue negatively impacted by a fall of ground ("FOG") (discussed on page 3) without a material reduction in costs (the Company did not reduce its workforce and continued to develop underground during the disruption). This resulted in a one-time reduction in gross margin during the quarter. This did not affect the Company's year-end guidance as discussed below; and

- Produced 9,549 gold ounces or 9,910 gold equivalent (AuEq) ounces at a Q3 cost of $742/gold ounce or $742/gold equivalent ounces and an all-in sustaining cost of $899/gold ounce or $894/gold equivalent ounce – year-to-date costs of $623/gold ounce or $628/gold equivalent ounces and an all-in sustaining cost of $810/gold ounce or $809/gold equivalent ounce. All-in-sustaining cost is a non-IFRS measure computed below in the non-IFRS performance measures section.

Subsequent to September 30, 2018, the Company:

- Released an updated resource estimate for Kora North based on results from underground grade control, exploration diamond drilling and face sampling. The updated resource comprises a Measured Resource of 154,000 tonnes at 18.7 g/t gold, 8.9 g/t silver and 0.5% copper. An Indicated Resource of 690,000 tonnes at 11.6 g/t gold, 14.1 g/t silver and 0.8% copper. An Inferred Resource of 1,920,000 tonnes at 10.7 g/t gold, 13.3 g/t silver and 0.7% copper;

- Signed a supply of services contract with a company in Papua New Guinea that will provide equipment for a fixed monthly fee of $112,800 (PGK376,000) over 48 months; and

- Issued 1,730,000 stock options to directors, officers, consultants and employees with an exercise price of $0.74 expiring November 19, 2023 vesting in quarterly increments over 12 months.

Production guidance for 2018

- Gold production for 2018, including preproduction in the month of January, is expected to be between 44,000 (previously 42,000) and 46,000 gold equivalent ounces. Guidance has increase despite a fall of rock that decreased production in July due to exceeding budgeted production for remainder of quarter and the October month achieving record production significantly above budget; and

- Production costs for the year, including cash costs between $530 and $560 per gold equivalent ounce and all-in sustaining costs between $740 and $800 per gold equivalent ounce are anticipated for the year ended December 31, 2018, consistent with previous guidance

Commercial Production

The Company achieved and declared commercial production, effective February 1, 2018, at its Kainantu gold mine in Papua New Guinea.

The Company defined commercial production as having commenced stope production underground, achieving a minimum of 60% of designed gold production and a minimum of 90% of designed metal recovery from the process plant over a 30-day period. These metrics were met during the month of January and the Company expects them to be maintained going forward and has therefore declared commercial production, effective February 1, 2018.

Operations

The Company holds the mining rights to Mining Lease 150 ("**ML 150**") until June 13, 2024. See technical report filed on www.sedar.com, and our website, "Amended and restated technical report (NI 43-101)" filed March 2, 2017.

During the three months ended September 30, 2018, the Company focused mining operations on the recently identified northern extension of the Kora deposit. During this three month period, the Company produced 9,549 ounces of gold, 146,315 pounds of copper and 2,551 ounces of silver or 9,910 gold-equivalent ounces (based on a gold price $1,300 per ounce; silver $16.50 per ounce; and copper $2.90 per pound). The concentrate produced was trucked to the Port of Lae, at which point a provisional payment amounting to 90% of total value of shipment was received by K92.

The material mined and treated during the period which came from the Kora North K1 and K2 vein averaged a grade of 16.7 g/t gold and 0.38% copper. Recoveries for the three months averaged 94.0% for gold and 93.2% for copper.

At the end of June, 2018 a FOG near muck bay 4 in the incline necessitated the acceleration of remediation and replacement of ground support in this area. This work had been scheduled to be undertaken over an extended period to minimise the resultant disruption to operations and spread it over the balance of the year. However, as a result of the FOG this work has been completed in a single period of approximately 3 weeks in July, with a resultant loss of production, however this event has not changed the production guidance for 2018.

During the nine month period ended September 30, 2018 an updated resource was estimated for Kora North based on results from underground grade control and exploration diamond drilling and face sampling. The updated resources comprises a Measured Resource of 242,900 tonnes at 13.9 g/t gold, 19 g/t silver and 1.0% copper; an Indicated Resource of 442,800 tonnes at 11.8 g/t gold, 21 g/t silver and 1.2% copper and an Inferred Resource of 1,084,400 tonnes at 13.2 g/t gold, 15 g/t silver and 1.0% copper. See table 1 below.

Table 1 – Kora North Mineral Resources effective October, 2018:

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

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

Capital Expenditure

The Company contracted Mincore Pty. Ltd. to install a gold gravity recovery circuit into the process plant at the Kainantu gold mine. The cost of the gravity circuit is expected to be $1,000,000 and the installation of the gravity circuit is expected to improve gold recovery by between 2% and 3%. It is also expected to increase the payment terms for the gold produced in dore form by approximately 3% to 4%, giving a net increase in gold revenue of at least 4% anticipated to be completed by the end of the year.

Previous testwork carried out on samples from the Kora deposit indicated that up to 60% of the gold could be recovered by gravity concentration. These results were supported by continuing plant scale test work carried out by the Company on Kora North material currently being treated through the process plant. The gravity circuit will comprise of centrifugal concentrators and a gold room containing a shaking table with an induction furnace for the production of gold dore bars.

As part of the ongoing expansion of the underground fleet a second Cat R1700G LHD and a third Sandvik Quasar single boom jumbo were purchased and delivered to site during the three months ended September 30, 2018.

In addition, the Company also commenced the installation of additional accommodation blocks, intended to increase the capacity of the camp by approximately 100 persons. The work on this should be completed in Q4.

Exploration

The Company continued its underground grade control and exploration drilling program utilising two diamond drill rigs. The program targets increasing drill density within the Kora North Resource reported above, as well as areas up dip, down dip and along strike from the resource. Table 2 summarises significant results from the drilling this quarter, while Table 3 provides details of collar location and hole orientation.

Table 2 Significant intercepts from Kora Underground Exploration Drilling

Hole_id	From (m)	To (m)	Interval (m)	True width (m)	Au g/t	Ag g/t	Cu %	AuEq
KMDD0092	90.31	91.91	1.60	0.68	8.98	7	0.29	9.52
KMDD0092	95.95	96.72	0.77	0.33	1.58	4	1.41	3.78
KMDD0092	97.34	98.00	0.66	0.28	1.51	1	0.68	2.57
KMDD0092	125.20	128.60	3.40	1.72	23.57	9	0.17	23.95
KMDD0093	177.00	199.20	22.20	6.22	61.81	6	0.27	62.30
KMDD0094	70.15	71.00	0.85	0.52	19.81	3	0.37	20.42
KMDD0094	73.57	76.70	3.13	1.90	12.87	1	0.09	13.02
KMDD0094	88.60	92.69	4.09	2.48	2.34	25	0.60	3.57
KMDD0095	81	96.1	15.1	9.82	1.99	3	0.18	2.31
KMDD0095	161.1	171.8	10.7	4.17	44.02	12	0.27	44.59
KMDD0095	219.6	221.3	1.7	1.19	2.25	35	1.32	4.71
KMDD0096	41.43	43.20	1.77	1.54	2.26	26	2.33	6.15
KMDD0096	46.25	47.95	1.70	1.48	1.43	3	0.26	1.86
KMDD0096	64.13	68.95	4.82	4.10	10.83	9	0.78	12.14
KMDD0096	69.36	75.15	5.79	4.92	1.48	14	1.38	3.77
KMDD0097	66.50	70.65	4.15	1.58	20.83	7	0.20	21.21
KMDD0097	76.25	84.50	8.25	3.14	5.91	7	0.49	6.76
KMDD0097	107.30	108.24	0.94	0.34	2.07	5	1.12	3.84
KMDD0097	114.80	116.80	2.00	0.72	3.01	13	1.91	6.09
KMDD0097	120.40	121.40	1.00	0.36	6.23	3	0.39	6.87
KMDD0097	147.70	149.05	1.35	0.48	0.48	22	4.05	6.96
KMDD0098	35.78	36.28	0.50	0.37	3.03	1	0.03	3.08
KMDD0098	56.25	60.79	4.54	3.38	58.63	6	0.61	59.63
KMDD0098	66.75	67.68	0.93	0.71	1.72	1	0.03	1.77
KMDD0098	70.15	71.60	1.45	1.10	3.67	6	0.63	4.70
KMDD0098	72.90	74.82	1.92	1.46	3.74	17	0.97	5.44
KMDD0098	81.00	88.70	7.70	5.64	8.81	63	0.58	10.49

KMDD0098	94.02	94.54	0.52	0.38	1.41	17	0.97	3.10
KMDD0099	46.76	54.26	7.50	3.34	8.17	3	0.08	8.33
KMDD0099	60.70	62.20	1.50	0.67	28.63	12	0.39	29.40
KMDD0099	159.00	163.90	4.90	1.65	0.92	11	0.43	1.72
KMDD0099	249.59	250.68	1.09	0.42	8.13	74	0.08	9.19
KMDD0100	77.00	81.10	4.10	1.86	8.41	7	0.65	9.49
KMDD0100	88.13	94.97	6.84	2.79	6.91	6	0.16	7.24
KMDD0100	96.75	102.10	5.35	2.42	1.36	4	0.57	2.27
KMDD0101	162.00	170.58	8.58	3.35	7.23	13	1.22	9.27
KMDD0102	51.60	61.45	9.85	6.93	9.12	8	1.03	10.80
KMDD0102	63.80	66.00	2.20	1.55	31.89	97	0.05	33.18
KMDD0102	72.33	73.60	1.27	0.89	1.58	57	3.51	7.68
KMDD0102	118.64	122.00	3.36	1.73	11.37	85	2.72	16.61
KMDD0104	51.60	52.84	1.24	0.93	8.11	2	0.26	8.54
KMDD0104	57.20	61.00	3.80	2.84	12.02	4	0.12	12.25
KMDD0104	71.95	78.85	6.90	5.16	5.90	4	0.17	6.21
KMDD0104	82.00	82.40	0.40	0.30	1.95	6	2.00	5.09
KMDD0104	86.78	89.43	2.65	2.10	1.25	12	0.59	2.31

Note: Gold Equivalent uses Copper price – US$2.90/lb; Silver price US$16.50/oz and Gold price of US$1300/oz

Table 3 Collar Locations for Kora Underground Diamond Drilling

Hole_id	Collar location			Collar orientation		EOH depth (m)	Lode
	Local north	Local East	mRL	Dip	Local azimuth		
KMDD0092	58900.26	29868.96	1189.49	-26.0	222.2	128.6	Kora
KMDD0093	59001.18	29876.03	1191.58	41.2	196.8	203.0	Kora
KMDD0094	58900.50	29868.92	1192.66	43.0	228.5	114.4	Kora
KMDD0095	59005.64	29877.17	1191.22	43.5	343.3	241.7	Kora
KMDD0096	58809.18	29854.04	1191.04	2.4	199.7	76.2	Kora
KMDD0097	59004.54	29877.29	1192.34	65.5	315.2	171.8	Kora
KMDD0098	58901.22	29868.70	1189.40	-21.7	242.3	119.4	Kora
KMDD0099	59005.07	29875.87	1187.67	-54.8	298.6	278.8	Kora
KMDD0100	58903.77	29869.15	1188.89	-54.6	317.5	131.5	Kora
KMDD0101	58815	29880.45	1196	58.4	218.5	221.5	Kora
KMDD0102	58904	29868.97	1189.17	-31	317.8	150.1	Kora
KMDD0104	58901.86	29868.91	1189.52	-37	265	122	Kora

K92 completed an initial five hole drilling program on the Yanabo (Yompossa) prospect which is located on EL1341 approximately seven kilometres to the west of Kainantu, Eastern Highlands Province. It was first drilled with a single, short hole (KDD1) by BHP in 1980, yielding an intercept of 74.5m @ 0.24 % Cu from 105.0m, including a zone of 36.0m @ 0.22 g/t Au from 132.0m. During 1982, Renison Consolidated Goldfields (RGC) PNG drilled two additional short holes peripheral to the main Yanabo Prospect diorite intrusive body.

Typical porphyry style alteration/mineralisation has been intersected, including a leached cap, mineralized supergene Cu-enriched zone, narrow intrusive feeders, stockwork quartz vein and disseminated Cu mineralization, within metasediments. Monzodiorite porphyry was intersected in both KSDD0004 and KSDD0005.

The Yanabo hydrothermal system exhibits pronounced zonation of mineral assemblages, from an outer propylitic (epidote-chlorite-carbonate-quartz-pyrite) zone through to phyllic (silica-sericite-clay) alteration, including ubiquitous, strong magnetite alteration. Alteration is commonly intense and, although weakly mineralized with Au and Cu, the concentrations are typical of what might be apparent in the upper reaches of a mineralised halo surrounding a deeper seated, mineralised porphyry. The presence of cooler temperature chlorite-sericite-clay-chalcedonic quartz in stockwork veins attests to this.

A very significant alteration footprint encapsulates and surrounds the intrusive mapped at surface, with stockwork veins cropping out over an area of more than one square kilometre. Additionally, strong vectors towards higher grade mineralisation have been recognized, with a notable increase in both Cu and Au from the south towards the north (i.e., from KSDD0001/2 to KSDD0004). Thus, there exists much potential for high grade mineralization at depth, where future drilling will test the inferred deeper potassic core.

Notable intercepts from Yanabo Exploration Drilling are shown in Table 4.

At Blue Lake, a new highly prospective exploration area where gold/silver/copper mineralization and hydrothermal alteration typical of that encountered in high sulphidation systems, the construction of temporary exploration camps to support the upcoming surface sampling program were completed. This program will commence in the three months ended December 31, 2018.

Table 4 Yanabo Exploration Drilling – Significant Intercepts

Hole_id	From (m)	To (m)	Interval (m)	Au g/t	Ag g/t	Cu %	AuEq g/t
KSDD0001	**6.0**	**10.0**	**4.0**	**13.68**	**2**	**0.00**	**13.71**
Including	6.0	8.0	2.0	0.36	2	0.00	0.39
Including	8.0	10.0	2.0	27.00	2	0.00	27.03
KSDD0001	**188.0**	**193.1**	**5.1**	**0.13**	**1**	**0.08**	**0.27**
Including	188.0	190.0	2.0	0.21	1	0.01	0.25
Including	190.0	192.1	2.1	0.01	1	0.01	0.04
Including	192.1	192.8	0.7	0.11	2	0.22	0.47
Including	192.8	193.1	0.4	0.48	7	0.65	1.57
KSDD0003	**206.0**	**208.0**	**2.0**	**1.00**	**5**	**0.05**	**1.14**
Including	206.0	207.0	1.0	1.00	4	0.05	1.13
Including	207.0	208.0	1.0	1.00	6	0.05	1.16
KSDD0004	**0.0**	**4.0**	**4.0**	**2.83**	**9**	**0.04**	**3.01**
Including	0.0	1.0	1.0	3.56	30	0.08	4.08
Including	1.0	2.0	1.0	5.27	3	0.02	5.34
Including	2.0	3.0	1.0	1.31	2	0.03	1.38
Including	3.0	4.0	1.0	1.18	2	0.02	1.23
KSDD0004	**42.0**	**246.0**	**204.0**	**0.08**	**4**	**0.11**	**0.30**
Including	42.0	68.0	26.0	0.12	4	0.17	0.43
Including	82.0	108.0	26.0	0.07	4	0.12	0.31
Including	159.0	173.0	14.0	0.10	5	0.12	0.35
Including	226.0	246.0	20.0	0.08	3	0.21	0.45

KSDD0004	**262.0**	**416.0**	**154.0**	**0.11**	**1**	**0.09**	**0.27**
Including	279.0	289.0	10.0	0.05	1	0.11	0.23
Including	303.0	342.0	39.0	0.20	1	0.10	0.38
Including	374.0	404.0	30.0	0.11	2	0.11	0.32
KSDD0005	**2.0**	**5.0**	**3.0**	**12.61**	**2**	**0.02**	**12.70**
Including	4.0	5.0	1.0	37.00	1	0.02	37.04
KSDD0005	**27.0**	**92.0**	**65.0**	**0.15**	**1**	**0.08**	**0.16**
Including	27.0	28.0	1.0	6.00	1	0.06	6.11
Including	36.0	48.0	12.0	0.06	1	0.19	0.36
KSDD0005	**115.0**	**344.0**	**229.0**	**0.08**	**1**	**0.06**	**0.15**
KSDD0005	**226.0**	**230.0**	**4.0**	**1.24**	**1**	**0.08**	**1.37**
KSDD0005	**364.0**	**397.0**	**33.0**	**0.08**	**0**	**0.07**	**0.20**

Gold equivalents are calculated as AuEq = Au g/t + Cu% * 1.53 + Ag g/t * 0.013.

K92 mine geology manager and mine exploration manager, Andrew Kohler, PGeo, a qualified person under the meaning of Canadian National Instrument 43-101, has reviewed and is responsible for the technical content of this MD&A. Data verification by Mr. Kohler includes significant time onsite reviewing drill core, face sampling, underground workings, and discussing work programs and results with geology and mining personnel.

Community Relations

During the period the first formal Memorandum of Agreement ("MOA") review meeting was held with landowner groups, Mineral Resources Authority ("MRA") and local government. A second meeting involving only the Company and landowner groups was held following this to maintain progress towards finalising a new agreement by early 2019.

The meetings were very positive and significant progress was made towards finalising a new MOA between the parties.

A number of joint venture agreements were signed between landowner groups and service providers during the quarter enabling four major contracts to be finalised between the Company and the joint venture companies for the long terms supply of services, including transport, security, ancillary mobile plant and catering and camp services.

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

Results of Operations for the nine months ended September 30, 2018 as compared to September 30, 2017

During the nine months ended September 30, 2018, the Company had a net income of $5,557,294 (2017 – loss of $10,162,667). Significant items making up income, and changes from prior periods, are as follows:

Revenue of $31,650,309 (2017 - $Nil) from the sale of gold concentrate from February 1, 2018, the date of declaration of commercial production, to September 30, 2018.

Cost of sales of $18,480,336 (2017 - $Nil) consisting of mining, processing, mine technical services, maintenance, finance and admin at site, operational health and safety, depreciation and net smelter royalties.

Exploration and evaluation expenditures of $1,233,373 (2017 – $Nil) related to drilling, assaying, trenching, surveying and other related expenditures on the Company's exploration licenses.

A decrease of consulting and administrative of $400,743 to $1,339,389 (2017 – $1,740,132). The decrease was due to a reduction in consulting costs at the corporate level as compared to prior year.

The Company had an interest expense of $299,819 (2017 - $Nil). This is the estimated fair value of interest on the gold prepayment liability that would be paid if the prepayment was a loan. The benefit is recorded on the statement of operations and is a non-cash transaction.

Fair value gain on gold purchase agreement of $95,593 (2017 – loss of $2,012,400). This relates in the fair value adjustment to the CRH gold prepayment using period end assumptions for the estimated present value of the gold to be repaid. The key changes in assumptions included an increase in future gold price per ounce estimate and discount rate.

Amortization of deferred loss of $2,953,051 (2017 - $2,677,637). The difference of cash received and the initial fair value of the gold prepayment liability of $15,534,971 was originally recorded as a deferred loss and is being recognized over the units of production. This amount represents the amortization of the deferred loss when the Company transferred 4,053 (2017 - 3,675) gold ounce credits to CRH.

Summary of Quarterly Results

The following table summarizes the three month period ended September 30, 2018, June 30, 2018 March 31, 2018, December 31, 2017, September 30, 2017, June 30, 2017, March 31 2017 and the four-month period ended December 31, 2016.

		September 30, 2018		June 30, 2018		March 31, 2018		December 31, 2017
Total assets	$	55,079,970	$	52,852,117	$	48,611,997	$	42,036,745
Working capital (deficiency)		(2,787,376)		(16,339)		(1,974,720)		(10,096,135)
Shareholders equity		35,863,017		36,442,993		29,470,526		21,341,573
Net income (loss)		(1,831,372)		4,071,596		3,317,070		(1,906,371)
Net income (loss) per share		(0.01)		0.02		0.02		(0.01)
		September 30, 2017		June 30, 2017		March 31, 2017		December 31, 2016
Total assets	$	38,435,952	$	43,550,079	$	29,282,274	$	24,873,985
Working capital (deficiency)		(6,073,021)		(2,718,358)		(8,250,402)		(4,928,922)
Shareholders equity		21,149,915		23,927,750		12,043,130		9,188,784
Net income (loss)		(3,489,632)		(1,035,441)		(5,637,593)		(4,094,104)
Net income (loss) per share		(0.02)		(0.01)		(0.04)		(0.04)

Net income in the three months ended June 30 and March 31, 2018 attributable to the Company declaring commercial production effective February 1, 2018. The Net loss for September 30, 2018 attributable the amortization of deferred loss, fair value loss on gold purchase agreement, and share-based payments in addition to accretion and interest which are all non-cash transactions.

The increase in net loss for the quarters ended September 30, 2017 and March 31, 2017 mainly relate to the changes in fair value on the gold purchase agreement and amortization of deferred loss.

Results of Operations for the three months ended September 30, 2018 as compared to September 30, 2017

During the three months ended September 30, 2018, the Company had a loss of $1,831,372 (2017 – $3,489,632). Due to the FOG, discussed on page 3, the Company lost a month of production without a corresponding decrease in cost of sales as the Company continued to develop during this period. Other significant items making up the loss, and changes from prior periods, are as follows:

Revenue of $9,390,081 (2017 - $Nil) from the sale of gold concentrate. This revenue is mainly derived from the months of August and September.

Cost of sales of $7,432,542 (2017 - $Nil) consisting of mining, processing, mine technical services, maintenance, finance and admin at site, operational health and safety, depreciation and net smelter royalties.

Exploration and evaluation expenditures of $839,310 (2017 – $Nil) related to drilling, assaying, trenching, surveying and other related expenditures on the Company's exploration licenses.

A decrease of consulting and administrative of $551,712 to $174,531 (2017 – $726,243). The decrease was due to a reduction in consulting costs at the corporate level as compared to prior year.

The Company had an interest expense of $112,107 (2017 - $Nil). This is the estimated fair value of interest on the gold prepayment liability that would be paid if the prepayment was a loan. The benefit is recorded on the statement of operations and is a non-cash transaction.

Fair value loss on gold purchase agreement of $655,392 (2017 – $355,015). This relates in the fair value adjustment to the CRH gold prepayment using period end assumptions for the estimated present value of the gold to be repaid. The key changes in assumptions included an increase in future gold price per ounce estimate and discount rate.

Amortization of deferred loss of $1,577,394 (2017 - $491,811). The difference of cash received and the initial fair value of the gold prepayment liability of $15,534,971 was originally recorded as a deferred loss and is being recognized over the units of production. This amount represents the amortization of the deferred loss when the Company transferred 2,232 (2017 - 675) gold ounce credits to CRH.

Non-IFRS Performance Measures

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

Cash costs per ounce

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

All-in sustaining cost per ounce

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

	Three months ended September 30, 2018	Nine months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2017
Cost of Sales	$ 7,432,542	$18,480,336	$ -	$ -
Add: pre-production costs for January	-	1,761,854	-	-
Add: cash costs allocated to inventory	505,743	505,743	-	-
Less: prior period inventory costs in cost of sales	(109,450)	-	-	-
Less: depreciation	(476,430)	(1,621,256)	-	-
Cash cost of sales	7,352,405	19,126,677	-	-
Add: accretion	50,545	151,589	-	-
Add: corporate costs	174,531	1,339,389	-	-
Add: capital expenditures[1]	1,279,665	3,998,648	-	-
All-in sustaining costs	8,857,146	24,616,303	-	-
Gold ounces produced[3]	9,549	29,358	-	-
Gold equivalent ounces produced[2]	9,910	30,439	-	-
Cash cost per ounce of gold[3]	$742	$623	-	-
Cash cost per equivalent ounce of gold[2]	$742	$628	-	-
All-in sustaining cost per ounce of gold[3]	$899	$810	-	-
All-in sustaining cost per equivalent ounce of gold[2]	$894	$809	-	-

[1] Purchase or property, plant and equipment for the nine months ended September 30, 2018 from statement of cash flow ($16,437,430) less Mine and Mill refurbishment costs ($2,160,530) less Mobile Fleet and Vehicles ($3,186,497) less payables paid that related to the year ended December 31, 2017 ($7,091,755).
[2] Gold Equivalent uses Copper price – $2.90/pound; Silver price $16.50/ounce and Gold price of $1300/ounce.

[3] Used figures above less a credit of $267,982 for the three months ended and $829,935 for the nine months ended September 30, 2018, from the silver and copper included in concentrate.

Liquidity

As at September 30, 2018, the Company had a working capital deficit of $2,787.376 (December 31, 2017 – $10,096,135). This balance included a cash balance of $3,020,819 (December 31, 2017 - $1,159,538) and accounts receivable balance of $5,172,706 (December 31, 2017 - $622,377) to settle current liabilities of $15,871,261 (December 31, 2017 - $14,566,040).

Operating Activities: During the nine months ended September 30, 2018, the Company generated $11,871,213 from operating activities compared to an outflow of $3,577,846 for the nine months ended September 30, 2017.

Investing Activities: During the nine months ended September 30, 2018, the Company paid for $16,437,430 in property, plant, and equipment including $106,449 in lease payments and collected $3,690,501 from its pre-production gold sales.

Financing Activities: During the nine months ended September 30, 2018 the Company completed a financing and issued capital stock for $5,140,870. In addition, the Company purchased 4,053 gold credits for $5,093,070 that was transferred to CRH as per the GPA and paid share issuance costs of $438,020.

The 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 for the foreseeable future. The Company's continuing operations rely on the ability of the Company to achieve profitable operations or obtain additional financings. 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 Company intends to use funds generated from operations for ongoing operating and capital expenditures.

Related Party Transactions

Key management compensation consists of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and the Board of Directors.

During the nine month period ended September 30, 2018, the Company paid or accrued:

a) Consulting fees of $275,800 (2017 – 247,100) to the CEO and director of the Company, $61,046 (2017 - $205,895) to a director and former CEO of the Company, $79,800 (2017 – $75,600) to the CFO of the Company, $56,250 (2017 - $56,250) to the Chairman of the Board, and $54,000 (2017 – $162,000) to the former president and director of the Company. Each remaining director received $9,000 (2017 - $9,000) each. The Company also paid professional fees of $13,984 (2017 - $14,411) to a Company related to the CFO.

b) Share-based compensation of $994,505 (2017 - $857,323) to the officers and directors of the Company was recorded.

Included in accounts payable and accrued liabilities is $56,579 (December 31, 2017 - $44,335) due to directors, officers, and companies controlled by directors and officers of the Company that is non-interest bearing and due on demand.

Outstanding Share Data

As at the date of this report the Company had 181,351,219 common shares and 5,000,000 preferred shares issued and outstanding.

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

Number	Exercise price (CAD)	Expiry date
6,539,000	$ 0.45	May 20, 2021
100,000	1.93	July 29, 2021
2,575,000	1.00	December 5, 2021
3,050,000	0.65	October 23, 2022
200,000	0.65	November 28, 2022
617,500	0.60	March 9, 2023
2,230,000	0.85	April 30, 2023
1,730,000	0.74	November 19, 2023

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

Number	Exercise price (CAD)	Expiry date
6,487,681	0.65	September 6, 2019

Off-Balance Sheet Arrangements

At September 30, 2018, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Proposed Transactions

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

Capital Resources

In the past the Company has raised capital in public markets by issuing common shares pursuant to private placements, through the sale of gold prepayments, through the issuance of preferred shares, and through loans payable. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

Risk Factors

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

Changes in Accounting Policies including Initial Adoption

The accounting policies followed in the condensed consolidated interim financial statements are consistent with those disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2017 except for those policies noted below.

IFRS 15 – Revenue from contracts with customers

The Company adopted IFRS 15 effective January 1, 2018. IFRS 15 addresses revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain benefits from the good or service.

The Company did not previously have a revenue policy and there were no significant changes in accounting.

The following is the new accounting policy for revenue recognition under IFRS 15:

Revenue Recognition

Revenue is generated from the sale of metals in concentrate.

The Company produces gold concentrate, which also includes copper and silver. The Company's performance obligations relate primarily to the delivery of concentrate to customers, with each shipment representing a separate performance obligation.

Revenue from the sale of gold concentrate is recognized at the point the customer obtains control of the product. Control is transferred when title has passed to the purchaser and the customer controls the risks and rewards of ownership and the Company has a present right to a payment for the product. Control over gold concentrate is transferred to the customer and revenue is recognized when the material reaches the port of Lae, Papua New Guinea, is assayed, and delivered to an off-taker designed storage warehouse.

Gold concentrate is sold under pricing arrangements where final prices are determined by market prices subsequent to the date of sale (the Quotationally Period or "QP"). Revenue from concentrate sales is recorded at the amounts estimated to be received on the date the criteria for recognizing revenue are met. Adjustments are made to settlements receivable in subsequent periods based on fluctuations in market prices until the date of final metal pricing. These subsequent changes in the fair value of settlements receivable are recorded in revenue but shown separately from revenue arising from contracts with customers.

IFRS 9 – Financial Instruments

The Company adopted IFRS 9 effective January 1, 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into three measurement categories: those measured at fair value through profit and loss, at fair value through other comprehensive income, and at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings.

The requirements in IAS 39 for classification and measurement were carried forward to IFRS 9 and the Company's accounting policy with respect to financial liabilities remains unchanged.

As a result of the adoption of this standard, the Company has changed its accounting policy for financial assets. The change did not impact the carrying value of any financial assets on the transition date, January 1, 2018.

The following is the new accounting policy for accounts receivable under IFRS 9. All other aspects of our accounting policies for financial instruments as disclosed in Note 3 to the audited consolidated financial statements for the year ended December 31, 2017 are unaffected.

Settlement receivables

Settlement receivables are amounts due from customers for the sale of gold concentrate in the ordinary course of business.

Settlement receivables arise from the sale of gold concentrates. Settlement receivables are classified as fair value through profit and loss and are recorded at fair value at each reporting period. Changes in fair value of settlements receivable are recorded as a separate component of revenue.

Critical Accounting Policies and Estimates

The preparation of the condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation and judgement uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

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 ML 150 that the prior owner of the Kainantu mine entered into with the BILA and certain landowners / clans listed in the agreement. The actual recipients of the compensation determined under the CA and landowners' share of sales royalty could not be paid as required under the CA until the legitimate landowners were identified by the Papua New Guinean Land Titles Commission ("**LTC**") and so compensation payments have been accrued but not paid.

The estimation of landowners' compensation in Kainantu requires significant judgmental assumptions regarding compensation rates and land area affected by the mining activities. The principal factors that cause expected cash flows to change are: changes in the land area lost due to mining or other activities; changes in compensation rates; future claims for additional compensations and in particular individual one off compensations that are found to be legitimate and requiring additional payments.

The amount of landowners' compensation provision for Kainantu mine as of September 30, 2018 was $1,409,694 (December 31, 2017 – $551,469), which reflects expected cost.

Exploration and evaluation

The net carrying value of each mineral property is reviewed regularly for conditions that suggest impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

Achievement of Production Phase

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

Going concern

The assessment of the Company's ability to continue as a going concern involves critical judgement based on historical experience. Significant judgements are used in the Company's assessment of its ability to continue as a going concern which is described in Note 1 of the consolidated financial statements.

Rehabilitation and restoration provision

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

Income tax

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Gold prepayment agreement

Judgment is required in assessing the appropriate accounting treatment of the gold prepayment agreement on the closing date and in future periods. We consider the specific terms of the agreement to determine whether we have disposed of an interest in the mineral property. This assessment considers what the counterparty is entitled to and the associated risks and rewards attributable to them over the life of the operation, including the contractual terms related to the total production over the life of the arrangement as compared to the expected production over the life of the mine, the percentage being sold, the percentage of payable metals produced, and any guarantee relating to the upfront payment if production ceases.

For the gold prepayment agreement entered into during the year ended August 31, 2016, there is a guarantee associated with the upfront payment as we are required to make good faith commercial efforts to maximize production of gold from the mineral property. Additionally, the counterparty has the option to receive payment in cash rather than refined gold. Accordingly, we consider this arrangement a derivative liability.

The valuation of the derivative in this arrangement is an area of estimation and is determined using discounted cash flow models. These models require a variety of inputs, including, but not limited to, contractual terms, market prices, forward curve prices, mine plans and discount rates. Changes in these assumptions could affect the carrying value of derivative assets or liabilities and the amount of gains or losses recognized in other operation income (expense).

Estimated useful lives

The useful life of some of the Company's items of property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property, plant and equipment would increase the recorded operating expenses and decrease long-term assets.

Contingent Liability

The Company has determined not to record a liability related to the acquisition of Barrick (Kainantu) Limited as at this time, the Company has not determined the existence of 1,000,000 gold equivalent ounces classified as measured, indicated, probable ore resource, or a proven ore equivalent ounce of gold.

Share-based payments

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

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 of the condensed consolidated interim financial statements.

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

Financial risk factors

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

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions.

Liquidity risk

The Company has in place a planning and budgeting process to manage its liquidity risk and ensure it has sufficient liquidity to meet liabilities when due. As at September 30, 2018, the Company had a cash and cash equivalents balance of $3,020,819 (December 31, 2017 - $1,159,538) to settle current liabilities of $15,871,261 (December 31, 2017 - $14,566,040). 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. The Company requires additional funds to settle the existing liabilities, fund exploration and development expenditures, and maintain general and administrative expenses over the coming year.

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, 2018, the Company did not have any investments in investment-grade short-term deposit certificates. The Company's loans payable are not exposed to interest rate risk given interest rates on loans are fixed.

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 and the CRH financing which can be elected to be repaid in United States Dollars as determined by CRH. 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.

Cautionary Statement Regarding Certain Measures of Performance

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

Note Regarding Forward-Looking Statements

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

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

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

This list is not exhaustive and these and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements.

This MD&A contains certain forward-looking statements inclusive of, but not limited to, timing of the mine development, mill construction, ore production, increased payment terms, and improved gold recovery. Although forward-looking statements and information contained in this MD&A are based on the beliefs of K92 management, which we consider to be reasonable, as well as assumptions made by and information currently available to K92 management, there is no assurance that the forward-looking statement or information will prove to be accurate. The assumptions made include assumptions about K92's ability to move forward with the arrangements as set out in the Definitive Agreement. The forward-looking statements and information contained in this MD&A are subject to current risks, uncertainties and assumptions related to certain factors including, without limitations, obtaining all necessary approvals, feasibility of mine and plant development, exploration and development risks, expenditure and financing requirements, title matters, operating hazards, metal prices, political and economic factors, competitive factors, general economic conditions, relationships with vendors and strategic partners, governmental regulation and supervision, seasonality, technological change, industry practices, and one-time events as well as risks, uncertainties and other factors discussed in our quarterly and annual and interim management's discussion and analysis. Should any one or more of these risks or uncertainties materialize or change, or should any underlying assumptions prove incorrect, actual results and forward-looking statements and information may vary materially from those described herein. Accordingly, readers should not place undue reliance on forward-looking statements and information contained in this MD&A. We undertake no obligation to update forward-looking statements or information except as required by law.

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