K92 MINING INC.

("K92" or "the Company")

FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 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 year ended December 31, 2018. The MD&A takes into account information available up to and including April 17, 2019 and should be read together with the audited consolidated financial statements for the year ended December 31, 2018, 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 and the OTCQX under the symbol KNTNF. The Company is currently engaged in the production of gold, copper and silver from the Kora North deposit from 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.

Performance Summary and Subsequent Events

During the year ended December 31, 2018, the Company:

- Generated revenue of $53,160,754 from the sale of gold concentrate and a gross margin of 44%;

- Produced 45,810 gold ounces or 47,237 ounces gold equivalent ("**AuEq**"), which exceeded its guidance of 44,000 to 46,000 gold equivalent ounces. Year-to-date costs of $594/gold ounce or $601/ounce AuEq and an all-in sustaining cost ("**AISC**") of $795/ounce gold or $796/ounce AuEq. Cash costs and AISC are non-IFRS measures computed in the non-IFRS performance measures section.

  For the three months ended December 31, 2018, the Company produced 16,451 gold ounces or 16,844 ounces AuEq at cash cost of $572/gold ounce or $579/ounce AuEq and an AISC of $718/gold ounce or $722/ounce AuEq. Cash costs and AISC are non-IFRS measures computed in the non-IFRS performance measures section.

  At the time, production for the three months ended December 31, 2018 was record high for the Company only to be surpassed during the three months ended March 31, 2019, when the Company produced 19,125 gold ounces or 19,778 AuEq.

- 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 and an inferred resource of 1,920,000 tonnes at 10.7 g/t gold, 13.3 g/t silver and 0.7% copper;

- Recognized a deferred tax asset of $26,470,433, to be used against future income earned over the life of the mine in Papua New Guinea. The Company recognized the tax asset to the extent recovery is considered probable. In assessing the probably of recovery, taxable income projections, commodity prices, operation cost assumptions, derived from cash flows from detailed life-of-mine and production plans were evaluated; and

- 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.

Subsequent to December 31, 2018, the Company:

- Filed a Preliminary Economic Assessment ("**PEA**"). See technical report filed on www.sedar.com, and our website, "Technical report (NI 43-101)" filed January 8, 2019. Key results of the PEA:
  - 13 year operating life and treat 4,900,000 tonnes at 9 g/t gold, 20 g/t silver and 1.3% copper.
  - Total production over the next 13 years would be 1,330,000 ounces of gold and 130,000,000 pounds of copper.
  - Total revenue for the period of over $2 billion.
  - Net undiscounted cash-flow would be $1.03 billion, NPV[5] pre-tax of $710 million or after-tax $559 million.

- Announced plans to double the capacity at the Company's Kainantu Gold Mine to 400,000 tonnes per annum, increasing annual production to an average of 120,000 ounces of AuEq. Based on the PEA, the major outcomes resulting from the decision to expand production include:
  - Projected capital expenditure for 2019 to be $30,000,000 comprising of $12,000,000 in expansion capital, $8,000,000 in sustaining capital and $10,000,000 in capital development.
  - Production projected to be 68,000 – 75,000 ounces AuEq in 2019 and 115,000 – 125,000 AuEq in 2020.
  - Cash costs expected to be $580 - $620 per AuEq and an expected AISC of $780 - $820 per AuEq.
  - Employment expected to increase from 650 to 750 by the end of 2019 and 800 by the end of 2020 with 96% of all positions are expected to be filled by Papua New Guinean nationals.

  As part of the expansion, the Company has purchased two Caterpillar AD45 low-profile trucks for underground operations and has already spent $3,000,000 on mobile plant, fixed plant and the camp in 2019.

2018 Production Data

		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Waste tonnes	t	17,585	29,984	24,783	40,331	112,684
Tonnes processed	t	18,668	17,105	18,907	24,806	79,487
Feed grade Au	g/t	16.95	20.39	16.70	21.77	19.13
Feed grade Cu	%	0.44	0.36	0.37	0.33	0.38
Recovery (%) Au	%	91.66	93.50	94.07	94.76	93.68
Recovery (%) Cu	%	91.28	93.62	93.71	93.57	92.98
Metal in concentrate produced Au	oz	9,323	10,486	9,549	16,451	45,810
Metal in concentrate produced Cu	t	75.173	58.266	66.367	77.460	277.27
Metal in concentrate produced Ag	oz	2,752	1,671	2,551	3,095	10,069
Gold equivalent ounces produced	oz	9,719	10,791	9,883	16,844	47,237

Production guidance for 2019

- Gold production for 2019 is expected to be between 68,000 and 75,000 ounces AuEq.

- Production costs for the year, including cash costs between $580 and $620 per gold equivalent ounce and all-in sustaining costs between $780 and $820 per gold equivalent ounce are anticipated for the year ended December 31, 2019.

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 expected them to be maintained going forward and therefore declared commercial production, effective February 1, 2018.

Operations

The Company holds the mining rights to Mining Lease 150 ("**ML 150**") that is due to be renewed on June 13, 2024. See technical report filed on www.sedar.com, and our website, "Technical report (NI 43-101)" filed January 8, 2019.

During the three months ended December 31, 2018, the Company focused mining operations on the recently identified northern extension of the Kora deposit. During this period, the Company produced 16,451 ounces of gold, 170,800 pounds of copper and 3,095 ounces of silver or 16,844 ounces AuEq. Annual production was 45,810 ounces of gold, 61,000 pounds of copper and 10,069 ounces of silver or 47,237 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 21.8 g/t gold and 0.33% copper. Recoveries for the three months averaged 94.8% for gold and 93.6% for copper. Annual recoveries averaged 93.7% for gold and 93% for copper.

During the year ended December 31, 2018 an updated resource estimate was completed 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 up to 2%. It is also expected to increase the payment terms for the gold produced in dore form by approximately 3% to 4% (as compared to gold concentrate), giving a net increase in gold revenue of up to 4%. It is anticipated that the gravity circuit will be installed during Q2 2019.

Previous testwork carried out on samples from the Kora deposit indicated that up to 65% 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.

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 2019.

Exploration

Underground grade control and exploration

The Company continued its underground grade control and exploration drilling program utilizing two diamond drill rigs. The results from this program were used to complete the Kora North Resource estimate reported to above. Drilling continued after the completion of the resource estimate targeting increasing drill density within the resource, as well as extending the resource in areas up dip, down dip and along strike from the resource.

A total of 75 diamond drill holes were completed and results reported during 2018, with a further 7 holes were reported during Q1 2019. The best results for 2018 included hole KMDD0084 which recorded three separate intersections of 5.82 metres at 486.78 g/t gold, 6 g/t silver and 0.16% copper; 4.68 metres at 73.54 g/t gold, 4 g/t silver and 0.33% copper; and 4.12 metres at 7.59 g/t gold, 21 g/t silver and 1.92% copper. The best results reported in Q1 2019 included hole KMDD0124 which recorded multiple intersections including 7.45 metres at 116.49 g/t gold, 17 g/t silver and 0.96% copper; and 13.52 metres at 10.29 g/t gold, 18 g/t silver and 0.31% copper.

Surface Exploration

Surface exploration work during 2018 and Q1 2019 has been focused on Blue Lake (EL470), Yompossa (Yanabo) (EL470) and Irumafimpa/Kokomo (EL693) prospects.

Blue Lake

A diamond drilling program was commenced at the Blue Lake Prospect during Q1 2019, with the first hole, KTDD0001, intersecting a mineralized silica cap, followed by a broad zone of intense argillic alteration (pyrophyllite/kaolinite), before drilling strong propylitic alteration in diorite, predominantly chlorite, with epidote increasing toward the end of the hole. Significantly, the hole intersected 175 metres at 0.28 g/t gold and 0.22% copper from 259 metres to the end of the hole at 433.9 metres (see table 4). The hole was still in mineralization when completed.

The Blue Lake project was discovered in early 2017 by the Company's exploration team following a systematic surface mapping and sampling program over the western portion of EL470. Strongly mineralized silicified breccias in outcrop were initially encountered by the Company in September, 2017, with samples assaying up to 20 g/t gold and 15% copper.

Since the initial discovery, the Company's geologists have mapped (lithology, alteration, structure) the prospect area in detail at 1:1,000, identifying a number of mineralized intrusives and breccias. An equidistant soil grid at 50-metre spacing over an area of approximately two square kilometres has been completed, with more than 1,000 samples collected, revealing a large coincident gold and copper anomaly.

Petrology of rock chip samples taken from outcrop from widely spaced locations from Blue Lake confirmed a high-sulphidation overprint of outer potassic alteration/mineralization, where enargite, tennantite / tetrahedrite, sulphosalt minerals, cubanite, chalcopyrite, bornite, sphalerite, galena and possible precious metal telluride minerals occur in paragenetic association with pyrophyllite-sericite, mosaic quartz, diaspore, kaolin clay and pyrite, defining an intermediate to high-sulphidation style of mineralization within tonalite porphyry. The presence of secondary hypersaline fluid inclusion assemblages in primary quartz, ghosting of prograde metasomatic biotite and actinolite/tremolite, and the distribution of resorbed prograde metasomatic bornite and chalcopyrite provide evidence for hydrothermal overprinting of a protore porphyry copper (gold) regime.

A significant conductor was identified from previously completed airborne electromagnetic geophysics within the Blue Lake prospect, which is coincident with strong molybdenum anomalism in soil geochemistry. Integrated datasets (geology, geochemistry and geophysics) all point to a major mineralized porphyry system at Blue Lake.

Table 2 Blue Lake Exploration Drilling – Significant Intercepts.

Hole_id	From (m)	To (m)	Interval (m)		Au g/t	Ag g/t	Cu %	AuEq
KTDD0001	5	20	15		0.63	4	0.02	0.7126
KTDD0001	259.3	433.9	174.6		0.28	2	0.22	0.6426

Yompossa

K92 completed several kilometres of trenching and conducted detailed mapping, before drilling five holes in 2018, for a total of 1,450m, targeting the mapped diorite porphyry. A monzodiorite porphyry intrusive was intersected in the fourth hole, directly beneath the BHP intercept, with highly anomalous Au, Cu and Mo encountered. Abundant quartz stockwork veins were encountered in phyllic (sericitic) alteration associated with the intrusive. Zonation of these metals downhole shows that there is a vector towards the monzodiorite and potential for a deep target beneath this apophysy.

Kokomo

A program of eight diamond drill holes is currently under way at Kokomo targeting a number of potentially high grade veins which appear to be an along strike (northern) extension of Irumafimpa.

Qualified Persons

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 in the underground grade control and exploration section of the MD&A. Data verification by Mr. Kohler includes significant time onsite reviewing drill core, face sampling, underground workings, and discussing work programs and results with geology and mining personnel.

K92 vice-president of exploration Chris Muller, PGeo, a qualified person under the meaning of National Instrument 43-101, has reviewed and is responsible for the technical content in the surface exploration, Blue Lake and Yompossa sections of this MD&A. Data verification by Mr. Muller includes significant time on site reviewing drill core, soil and outcrop sampling, artisanal workings, as well as discussing work programs and results with geology personnel and external consultants.

Community Relations

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 finalizing a new agreement in 2019.

The meetings were very positive and significant progress was made towards finalizing 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 finalized 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 also provides scholarships to support children from landowners to undertake studies at tertiary institutions. A total of 11 students were provided scholarships in 2018 and this is being expanded to 50 in 2019.

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 wellbeing of the communities.

Personnel

During the latter half of 2018 and the first quarter of 2019, the Company has been expanding its human resource base at both the corporate and the operational level. At the corporate level, the Company appointed Warren Uyen to the role of Senior Vice President Operations in October 2018 and Philip Samar to the role of Vice President External and Corporate Affairs in January 2019. Warren is a Mining Engineer with extensive experience in both Australia and overseas in management of successful underground mining operations. Philip is a Mining Engineer who has held numerous roles in Government and was most recently the Managing Director of the Mineral Resources Authority of Papua New Guinea, a position he held since 2012.

At the operational level, the Company enhanced its operating team with the appointment of numerous experienced professionals at various levels in the organisation, as well as the implementation of some structural changes. The changes have included the appointment of a Kora Project Manager to focus on the development of the Kora Expansion Project.

Safety

The Company believes that excellence in occupational health and safety performance is a critical part of developing a successful mining operation and mining company. The belief is reflected in the continuing focus of management, employees and contractors on this critical area. The Company is pleased to report that during 2018 there were no Lost Time Injuries ("**LTI**") reported on the mine by employees or contractors and by the end of Q1 2019, the operation had achieved 1,032 LTI free days.

Selected Annual Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the consolidated financial statements.

	Year ended December 31, 2018	Year ended December 31, 2017	Four months ended December 31, 2016
Net income (loss)	$ 39,056,954	$ (12,069,037)	$ (4,094,104)
Revenue	53,160,754	-	-
Basic income (loss) per share	0.22	(0.08)	(0.04)
Diluted income (loss) per share	0.20	(0.08)	(0.04)
Total assets	87,768,526	42,036,745	24,873,985
Working capital (deficiency)	3,992,004	(10,096,135)	(4,928,922)
Total long-term liabilities	2,690,536	6,129,132	5,152,919
Cash dividends	-	-	-

Results of Operations for the year ended December 31, 2018 as compared to December 31, 2017

During the year ended December 31, 2018, the Company had a net income of $39,056,954 (2017 – loss of $12,069,037) , which included a deferred income tax recovery of $26,470,433. Significant items making up income, and changes from prior year, are as follows:

Revenue of $53,160,754 (2017 - $Nil) from the sale of gold concentrate from February 1, 2018, the date of declaration of commercial production, to December 31, 2018.

Cost of sales of $29,759,236 (2017 - $Nil) consisting of mining, processing, mine technical services, maintenance, finance and admin at site, operational health and safety, depreciation and net smelter royalties.

Gross profit of $23,401,518 (2017 - $Nil), which is calculated by subtracting cost of sales from revenue.

Exploration and evaluation expenditures of $1,793,486 (2017 – $268,427) related to drilling, assaying, trenching, surveying and other related expenditures on the Company's exploration licenses.

A decrease of consulting and administrative of $435,173 to $2,314,626 (2017 – $2,749,799). 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 $416,576 (2017 – income of $10,957). 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 $110,118 (2017 – loss of $2,568,049). This relates to the fair value adjustment on 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 the future gold price per ounce estimate and discount rate.

Amortization of deferred loss of $4,410,269 (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 6,053 (2017 - 3,675) gold ounce credits or cash equivalent to CRH.

Deferred income tax recovery of $26,470,433 (2017 - $Nil) recognized during the year to be used against future income earned over the life of the mine in Papua New Guinea. The Company recognized the tax asset to the extent recovery is considered probable. In assessing the probably of recovery, taxable profit projections, derived from cash flows from detailed life-of-mine and production plans were evaluated.

Summary of Quarterly Results

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

	December 31, 2018 (Unaudited)	September 30, 2018 (Unaudited)	June 30, 2018 (Unaudited)	March 31, 2018 (Unaudited)
Total assets	$ 87,768,526	$ 55,079,970	$ 52,852,117	$ 48,611,997
Working capital (deficiency)	3,992,004	(2,787,376)	(16,339)	(1,974,720)
Shareholders' equity	69,806,096	35,863,017	36,442,993	29,470,526
Revenue	21,510,445	9,390,081	13,734,023	8,526,205
Net income (loss)	33,499,660	(1,831,372)	4,071,596	3,317,070
Net income (loss) per share, basic	0.18	(0.01)	0.02	0.02
Net income (loss) per share, diluted	0.18	(0.01)	0.02	0.02
	December 31, 2017 (Unaudited)	**September 30, 2017 (Unaudited)**	**June 30, 2017 (Unaudited)**	**March 31, 2017 (Unaudited)**
Total assets	$ 42,036,745	$ 38,435,952	$ 43,550,079	$ 29,282,274
Working capital (deficiency)	(10,096,135)	(6,073,021)	(2,718,358)	(8,250,402)
Shareholders' equity	21,341,573	21,149,915	23,927,750	12,043,130
Revenue	-	-	-	-
Net income (loss)	(1,906,371)	(3,489,632)	(1,035,441)	(5,637,593)
Net income (loss) per share, basic	(0.01)	(0.02)	(0.01)	(0.04)
Net income (loss) per share, diluted	(0.01)	(0.02)	(0.01)	(0.04)

Revenue in the three months ended December 31, June 30 and March 31, 2018 was attributable to the Company declaring commercial production effective February 1, 2018. The three months ended December 31, 2018 also included a $26,470,433 deferred income tax recovery. The net loss for September 30, 2018 was 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 December 31, 2018 as compared to December 31, 2017

During the three months ended December 31, 2018, the Company had an income of $33,568,693 (2017 – loss of $1,906,371), which included a deferred income tax recovery of $26,470,433. Significant items making up the income, and changes from prior periods, are as follows:

Revenue of $21,510,445 (2017 - $Nil) from the sale of gold concentrate in Papua New Guinea.

Cost of sales of $11,278,900 (2017 - $Nil) consisting of mining, processing, mine technical services, maintenance, finance and admin at site, operational health and safety, depreciation and net smelter royalties.

Gross profit of $10,231,545 (2017 - $Nil), which is calculated subtracting cost of sales from revenue.

Exploration and evaluation expenditures of $560,113 (2017 – $81,767) related to drilling, assaying, trenching, surveying and other related expenditures on the Company's exploration licenses.

A decrease of consulting and administrative of $34,430 to $975,237 (2017 – $1,009,667). The decrease was due to a reduction in consulting costs at the corporate level as compared to prior year offset partially by onetime costs in Papua New Guinea.

The Company had an interest expense of $116,757 (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 $14,525 (2017 – loss of $555,649). This relates to the fair value adjustment on 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 the future gold price per ounce estimate and discount rate.

Amortization of deferred loss of $1,457,218 (2017 - $Nil). 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 2,000 (2017 - Nil) gold ounce credits or cash equivalent to CRH.

Deferred income tax recovery of $26,470,433 (2017 - $Nil) recognized during the year to be used against future income earned over the life of the mine in Papua New Guinea. The Company recognized the tax asset to the extent recovery is considered probable. In assessing the probably of recovery, taxable profit projections, derived from cash flows from detailed life-of-mine and production plans were evaluated.

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 ounces 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 December 31, 2018	Year ended December 31, 2018	Three months ended December 31, 2017	Year ended December 30, 2017
Cost of Sales[1]	$ 11,278,900	$ 29,759,236	$ -	$ -
Add: pre-production costs for January[1]	-	1,761,854	-	-
Add: cash costs allocated to inventory	954,852	954,852	-	-
Less: prior period inventory costs in cost of sales	(505,743)	-	-	-
Less: depreciation	(1,972,638)	(4,070,324)	-	-
Cash cost of sales	9,755,371	28,405,618	-	-
Add: accretion	-	150,659	-	-
Add: corporate costs	975,237	2,314,626	-	-
Add: capital expenditures[2]	1,429,228	6,707,541	-	-
All-in sustaining costs	12,159,836	37,578,444	-	-
Gold ounces produced[4]	16,451	45,810	-	-
Gold equivalent ounces produced[3]	16,844	47,237	-	-
Cash cost per ounce of gold[4]	$572	$594	-	-
Cash cost per equivalent ounce of gold[3]	$579	$601	-	-
All-in sustaining cost per ounce of gold[4]	$718	$795	-	-
All-in sustaining cost per equivalent ounce of gold[3]	$722	$796	-	-

[1] Costs for January in the pre-production phase prior to commercial production were added back in order to calculate cash costs and all-in sustaining costs for the year.

[2] Purchase of property, plant and equipment for the year ended December 31, 2018 from statement of cash flow ($18,181,658) less Mobile Fleet and Vehicles ($4,382,362) less payables paid that related to the year ended December 31, 2017 ($7,091,755).

[3] Gold Equivalent uses Copper price – $2.90/pound; Silver price $16.50/ounce and Gold price of $1300/ounce.

[4] Costs from above less a credit of $342,721 for the three months ended and $1,172,656 for the year ended December 31, 2018, from the silver and copper included in concentrate.

Liquidity

As at December 31, 2018, the Company had working capital of $3,992,004 (December 31, 2017 – deficit of $10,096,135). This balance included a cash balance of $6,205,616 (December 31, 2017 - $1,159,538) and accounts receivable balance of $7,699,572 (December 31, 2017 - $622,377) to settle current liabilities of $15,271,894 (December 31, 2017 - $14,566,040).

Operating Activities: During the year ended December 31, 2018, the Company generated $18,138,250 from operating activities compared to an outflow of $8,183,770 for the year ended December 31, 2017.

Investing Activities: During the year ended December 31, 2018, the Company paid for $18,181,658 in property, plant, and equipment including $331,204 in lease payments and collected $3,690,501 from its pre-production gold sales, which is the revenue earned in January, 2018 before the Company declared commercial production.

Financing Activities: During the year ended December 31, 2018 the Company completed a financing and issued capital stock for $5,140,870. In addition, the Company purchased 6,053 gold credits for $7,539,571 that was transferred to CRH as per the GPA and paid share issuance costs of $438,020.

The Company intends to use funds generated from operations for ongoing operating and capital expenditures including its minimum lease payments in Papua New Guinea and office lease in Vancouver.

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 year period ended December 31, 2018, the Company paid or accrued:

a) Consulting fees of $456,280 (2017 - $356,139) to the CEO and director of the Company, $106,800 (2017 – $100,800) to the CFO of the Company, $75,000 (2017 - $75,000) to the Chairman of the Board, $80,318 (2017 - $243,920) to a director and former CEO of the Company and $54,000 (2017 – $216,000) to the former president and director of the Company. Each remaining director received $12,000 (2017 - $12,000) each. The Company also paid professional fees of $18,518 (2017 - $19,406) to a Company related to the CFO.

b) Share-based compensation of $981,023 (2017 - $874,778) to the officers and directors of the Company was recorded.

Included in accounts payable and accrued liabilities is $150,810 (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.

Subsequent Events

Subsequent to December 31, 2018, the Company:

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

b) Issued 250,000 stock options with an exercise price of CAD$1.10 exercisable until January 31, 2024;

c) Received CAD$1,022,597 from the exercise of 2,126,600 stock options; and

d) Received CAD$1,988,159 from the exercise of 3,058,706 warrants.

Outstanding Share Data

As at the date of this report the Company had 196,140,187 common shares issued and outstanding.

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

Number	Exercise price (CAD)	Expiry date
4,712,000	$ 0.45	May 20, 2021
100,000	1.93	July 29, 2021
2,490,000	1.00	December 5, 2021
2,756,000	0.65	October 23, 2022
200,000	0.65	November 28, 2022
202,500	0.60	March 9, 2023
2,033,000	0.85	April 30, 2023
1,730,000	0.74	November 19, 2023
250,000	1.10	January 31, 2024

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

Number	Exercise price (CAD)	Expiry date
3,259,550	0.65	September 6, 2019

Off-Balance Sheet Arrangements

At December 31, 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

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 Company's 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 located at the port.

Gold concentrate is sold under provisional pricing arrangements where final prices are determined by market prices subsequent to the date of sale (the Quotational 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 adoption of IFRS 9 has resulted in changes in classification of some of the Company's financial assets but did not change the classification of the Company's financial liabilities. There is no difference in the measurement of these instruments under IFRS 9.

As a result of the adoption of this standard, the Company has changed its accounting policy for financial assets:

Financial assets

Financial assets are classified as either financial assets at affair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

a) Fair value through profit or loss ("FVTPL") – financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Changes in fair value are recognized in the consolidated statement of operations and comprehensive income (loss).

b) Amortized cost – financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as FVTPL: 1) The objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the assets contractual cash flow represents solely payments of principal and interest.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

The Company's cash and cash equivalents, account receivables, and accounts payable and accrued liabilities are recorded at amortized cost. The Company's settlement receivables and CRH financing are recorded at FVTPL. The change did not impact the carrying value of any financial assets on the transition date, January 1, 2018.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit loss for performing assets and the lifetime expected credit loss if the credit risk on the financial assets has increased significantly since initial recognition. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the expected credit losses are reversed after the impairment was recognized.

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 these consolidated 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:

Depletion and depreciation of property, plant and equipment

Property, plant and equipment is the largest component of the Company's assets and, as such, the depreciation of these assets has a significant effect on the Company's financial statements.

Mining plant and equipment and other capital assets are depreciated over their expected economic lives using either the units of production method or the straight-line method. Depletion of each mineral property interest is provided on the units of production basis using estimated proven and probable reserves as the depletion basis. Significant judgment is involved in the determination of useful lives of long-lived assets. A change in the estimated useful life or residual value of a long-lived asset would result in a change in the rate of deprecation for that asset.

For long-lived assets that are depleted or depreciated over proven and probable reserves using the units of production method, a change in the original estimate of proven and probable reserves would result in a change in the rate of depletion or depreciation.

Impairment indicator of property, plant and equipment

Property, plant and equipment are tested for impairment when events or changes in circumstance indicate that the carrying value may be higher than the recoverable amount. Judgement is required in assessing whether certain factors would be considered an indicator of impairment. Management considers both internal and external information to determine whether there is an indicator of impairment.

Achievement of Commercial Production

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 and production of pre-designed gold production.

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. The Company determines if a deferred tax asset should be recorded and if so, estimates the amount through taxable income projection models. 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.

Reserves and Resources

Mineral reserve and resources estimates are based on various assumptions relating to operating matters set forth in National Instrument 43-101. These include production costs, mining and processing recoveries, cut-off grades, long term commodity prices, and inflation rates. Cost estimates are based on pre-feasibility study estimates or operating or operating history, and estimates are prepared by appropriately qualified persons (as defined in National Instrument 43-101).

Estimated recoverable reserves are used to determine the depreciation of property, plant and equipment, as an input to the projection of future taxable profits which support assessments of deferred income tax recoverability and to forecast the timing of the payment of decommissioning obligations.

Contingent Liability

The Company has determined not to record a liability related to the acquisition of Barrick (Kainantu) Limited (Note 4) 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 plus cumulative ounces produced.

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 and amended during the year ended December 31, 2018, 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).

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 stock price volatility. Because the Company's stock options 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.

Determination of functional currency

The functional currencies of the Company and its subsidiaries are outlined in Note 3, Foreign Exchange. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. The determination of functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency if there are changes in events and conditions of the factors used in the determination of the primary economic environment.

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. Expected credit losses on accounts receivables do not have a material impact on the Company's consolidated financial statements at December 31, 2018.

Liquidity risk

The Company has in place a planning and budgeting process to manage its liquidity risk and ensure it has sufficient liquidity to meet liabilities when due. For the year-ended December 31, 2018, the Company had operating cash-flow of $18,138,250 (2017 – outflow of $8,183,770) and as at December 31, 2018, the Company had a cash and cash equivalents balance of $6,205,616 (December 31, 2017 - $1,159,538) to settle current liabilities of $15,271,894 (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.

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 December 31, 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.

c) Price risk

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

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."