MINING INC.

(**"K92" or "the Company"**)

FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE AND THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

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 month periods ended September 30, 2017. The MD&A takes into account information available up to and including August 28, 2017 and should be read together with the condensed consolidated interim financial statements for the period ended September 30, 2017 and the audited consolidated financial statements for the period ended December 31, 2016, 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. (formerly Otterburn Resources Corp.) (the "**Company**") was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on March 22, 2010. The Company's shares are listed on Tier 1 of the TSX Venture Exchange ("**TSX-V**") under the symbol KNT. The Company is currently engaged in the exploration and development of mineral deposits in Papua New Guinea, specifically the Kainantu Gold Mine that includes the Irumafimpa and Kora deposits.

Performance Summary and Subsequent Events

During the three-month period ended September 30, 2017, the Company:

- Purchased and transferred 675 ounce gold credits to CRH to satisfy payment as outlined under the CRH loan.
- Sold gold concentrate for $2,723,016, net, subject to final review of material.

Subsequent to September 30, 2017, the Company:

- Granted 3,220,000 stock options to employees, officers, and directors exercisable at CAD$0.65 that vest over 12 months.
- Sold gold concentrate for $902,462, net, subject to final review of material.
- Appointed John Lewins as Chief Executive Officer.

  Mr. Lewins is a mineral engineer with over 35 years of international leadership experience in the mining industry. He has held senior positions with companies operating in Africa, Australia, Asia, North America and the former Soviet Union.

  Mr. Lewins has successfully led the start-up of multiple mines from study through to full operational stage.

  Prior to his appointment as K92 chief executive officer, Mr. Lewins has been a director and chief operating officer of K92. In addition to this corporate leadership role to date, he has guided K92's production restart, overseen all site operations, and has led initiatives such as the publishing of the Kora preliminary economic assessment and the development of the Irumafimpa mine plan.

  Mr. Lewins's past industry leadership roles include 10 years with MIM Holdings, during which time he built the Tom's Gully mine (built to produce 50,000 ounces gold per annum), Tick Hill mine (an open-pit and underground mine with peak production of 180,000 ounces Au per annum) and Nolan's gold mine (a two-million-tonne-per-annum open pit with production peaks reaching in excess of 120,000 Au ounces per annum), taking these projects from feasibility study through to operations. During his time with MIM, Mr. Lewins also led the build of McArthur River lead-zinc mine (which was built to process 1.2 million tonnes per annum, and included an underground mine, plant and port facility). Mr. Lewins led the building of the Ararat gold plant (two-million-tonne-per-annum operation with peak production of 50,000 ounces Au and 150,000 ounces silver per annum) as senior vice-president of projects and operations, and then president of First Dynasty Mines when it restarted the Zod gold mine in Armenia. With Armada Gold, Mr. Lewins was responsible for the construction and operation of the Erdmin copper solvent extraction and electrowinning operation in Mongolia as senior VP, projects and operations.

- Appointed Gavin Ferguson as Senior Vice President Operations.

  Mr. Ferguson has over 25 years of experience in the mining industry and has worked in Africa, Australia and the Asia Pacific. He commenced his career with Anglogold Ashanti in South Africa and has extensive experience in the successful development and operations of underground gold and platinum mines. Mr. Ferguson comes with an extremely strong technical and operating background in underground mining having worked in various management roles from section manager to general manager and chief operating officer with various companies including Anglogold Ashanti, Anglo Platinum, Platinum Australia, Brandrill and Planet Mining. He also spent several years as principal adviser -- underground mines with Newmont Asia Pacific. Mr. Ferguson commenced his involvement with K92 Mining in March, 2016, as mining operations manager and subsequently was appointed general manager, a position in which he has been instrumental in guiding the restart of mining operations.

- Appointed Dr. Chris Muller as Vice President Exploration.

  Dr. Muller has extensive international mining experience, including a decade of experience in Papua New Guinea. His 10 years of experience in PNG includes four years with the Morobe Mining joint venture (Newcrest Mining/Harmony Gold) as geology manager/principal geologist working on the Wafi Golpu project, where he led the Nambonga Porphyry and Golpu West/Golpu Deeps discovery team. Dr. Muller has also worked in Mongolia, Indonesia, Ghana and Australia.

  Dr. Muller has a PhD in tectonics/biogeography of the Indo-Pacific using rhopaloceran genetics and a high first-class honours degree from the centre of ore deposit research, University of Tasmania, and a bachelor of science degree from Macquarie University.

  Dr. Muller has been K92 manager of exploration since September, 2016, and with a ramp-up of exploration activity, moves into this more senior role within the organization.

Community Relations

Recently, the newly formed Bilimoia Interim Landholders Association (BILA), which represents one of the landholder groups in the region, has alleged that it has not had an adequate share of employment and contractor opportunities. This has been refuted by K92, and the Company has sought to engage with BILA through the auspices of the Mineral Resources Authority (MRA), the government body responsible for all aspects of the mining industry, including community relations.

As a matter of background, the Bilimoia Interim Landowners Association was established in 2017 with the assistance of the MRA to bring together different Bilimoian groups into one association and the chairman was elected in April, 2017. The association is termed interim as finalization of who constitutes Bilimoian landowners awaits the outcome of an appeal of the Land Titles Commission's determination of 2009.

K92 understands that the first meeting of this interim association with the landowners occurred on Sunday, Aug. 13, 2017, and further that the meeting was to deal with internal issues for BILA and its stakeholders. K92 understands that the BILA is still to determine whether it will use the existing Bilimoia Development Corp. (Bildevco) or a new business entity to participate in business opportunities created by the Company and its suppliers. However, this is a matter for BILA to decide internally and is not a matter for K92 to decide upon.

Additional to the direct employment opportunities at the mining, maintenance and processing operations, there are currently many other business ventures which Bildevco and Bilimoian landowners are participating in, including the mine catering contract, provision of security services and refuse collection, as well as numerous small-business opportunities, including maintenance, supply of mobile plant and installation of infrastructure. Additionally, K92 continues to train and develop the work force, especially local landowners, bringing mining knowledge and mining skills to the local communities for the benefit of not only these communities, but also the mine.

The expansion of the business opportunities, of which K92 has identified a number, has been awaiting the formation of a single Bilimoian body to represent the landowners, which was only recently solved with the formation of BILA and still awaits the decision of BILA in relation to the business entity.

A meeting was arranged by the MRA between Papua New Guinea's national, provincial and local government agencies, BILA and the Company. On the morning of Thursday, Aug. 24, 2017, prior to the meeting commencing on site, a group of landowners represented by BILA entered the mine through the 800 mine portal. The Company removed its staff from the area in an attempt to diffuse the situation without incident. However, during its presence, the group caused major damage to two MT2010 low-profile trucks and one small loader/IT, as well as three light vehicles and an underground fixed plant.

An extensive evaluation of underground vandalism revealed only minor damage to K92 Mining Inc.'s underground equipment and infrastructure. In total, the Company recorded an impairment charge of $1,717,837 (2016 - $Nil) related to the vandalism.

The Company has a third MT2010 low-profile truck and has a Volvo 30-tonne ADT (articulated dump truck) that is designed to go underground to pick up mined material and two Komatsu 35-tonne ADTs that can tram on surface. As noted, all other equipment, including the Company's load-haul-dump (LHD) loaders and the drill rigs, are fully operational. The workshop and containers near the 800 portal were damaged; however, the main workshop where K92 does all major work is at the plant site and was not affected.

K92 acknowledges the considerable work and goodwill relating to the coming restart of mining, processing and drilling operations by Mining Minister Johnson Tuke, the Mineral Resource Authority under managing director Philip Samar, and representatives of the Eastern Highlands provincial and Kainantu local governments and thanks them for their efforts.

K92 Mining Inc. has recommenced underground operations at its Kainantu gold mine following the signing of a resolution between the local landowner group, the Mineral Resources Authority and the Company.

- Mining operations have recommenced and are back to preincident level.
- Drilling from the underground set-up has recommenced to follow up on the Kora deposit extension discovery.
- The majority of the mobile fleet, including all drill rigs, load-haul-dump (LHD) loaders and four of six trucks, is fully operational.
- Repairs to damaged underground equipment and infrastructure largely completed with only minor issues outstanding.

The signing of the resolution with the Bilimoia Interim Landowner Association addresses the underlying issues with the landowners and allows the Company to focus on building up production from underground operations to target commercial production in the near term. We look forward to a strengthening relationship with BILA, its members and our other landowner groups and working with them to realize the opportunities that this project will provide for all involved.

Change in year-end

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

The length and ending date of the periods, including the comparative periods, of the interim and annual financial statements to be filed for the transition year and new financial year are:

Transition Year	Comparative Annual Financial Statements to Transition Year	New Financial Year	Comparative Annual Financial Statements to New Financial Year	Interim Periods for Transition Year	Comparative Interim Periods to Interim Periods in Transition Year	Interim Periods for New Financial Year	Comparative Interim Periods to Interim Periods in New Financial Year
4 months ended 12/31/2016	12 months ended 8/31/2016	12/31/2016	4 months ended 12/31/2016 and 12 months ended 8/31/2016	N/A	N/A	3 months ended 03/31/2017 6 months ended 06/30/2017 9 months ended 09/30/2017	3 months ended 02/29/2016 6 months ended 05/31/2016 9 months ended 08/31/2016

For additional information see Notice filed on SEDAR on October 14, 2016.

Outlook

K92 has completed the refurbishment of the Kainantu mine and mill, and restarted the Irumafimpa mine project and has started the Kora mine project in Papua New Guinea and expects to ramp up gold pre-production in Q4 2017 and 2018. The Company continues toward declaring commercial production.

In addition, the Company is working to complete the underground incline drive from Irumafimpa to Kora, testing and mining ore along the way. K92 plans to continue to mine along strike on the current level and develop drives along strike on two upper levels, which will also allow stoping to commence in early 2018.

Mineral Property Summary

Kainantu Gold Mine – Irumafimpa Deposit

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.

K92 has, up until recently, been mining from development areas. Post incidents described in the community relations section, the Company has been since focused on the Kora deposit described below.

Kainantu Gold Mine – Kora Deposit

The Company shipped the first concentrate from Kora production to the Port of Lae, pursuant to a new offtake agreement, with the provisional payment (90 per cent of total value of shipment) received by K92.

Subsequent to September 30, 2017, the Company:

- Shipped the first 146 tonnes of Kora concentrate to the Port of Lae with payment for this concentrate received by K92 from offtaker;
- Signed a new offtake agreement that included a provision for the offtaker to provide $15,000,000 in non-dilutive financing for Kora expansion; and

- Processed the first 4,000 tonnes of Kora material October that resulted in the production of 163 tonnes of concentrate at 143 grams per tonne gold, 196 g/t silver and 18.4 per cent copper containing 750 ounces of Au, 1,030 ounces of Ag and 66,000 pounds of copper.

The $15,000,000 in financing is subject to a number of closing conditions and is not guaranteed, which the two parties have commenced pursuing. Prior to the removing of these conditions, K92 will ship Kora concentrate under an agreement with interim provisions facilitating the same. K92 anticipates utilizing the $15,000,000 to target an expansion of the mining and processing rate to a level envisioned in the preliminary economic assessment referred to elsewhere in this MD&A.

This offtake agreement allows for immediate shipping of concentrate that K92 is producing from Kora. At the same time, it provides a potential path for a non-dilutive financing to target significant production expansion. The offtaker is one of the world's largest commodity traders, is very active in Papua New Guinea and familiar with K92 and our operations. The discovery of the Kora extension area adjacent to our current mining area has been game-changing for the Company and we are continuing to drill and mine in this area.

The current Kora inferred resource, as defined by previous drilling to date, is 4.36 million tonnes at a grade of 7.3 g/t Au, 35 g/t Ag and 2.23 per cent Cu, or 11.2 g/t gold equivalent and is open for expansion at depth and in both directions along strike.

K92 has previously announced and has been following up on the discovery of an extension of Kora, made in K92 drill hole KMDD0009, which recorded an intersection of 5.4 metres at 11.68 g/t gold, 25.5 g/t silver and 1.33 per cent copper 500 metres to the north from the closest point of the currently defined Kora deposit inferred resource. All 10 follow-up holes drilled since, in this discovery area, have intersected gold, silver and copper mineralization.

The Company has provided results from KMDD0024 which has been drilled 50 metres to the south and 60 metres above the current development. This hole has recorded significant intersections in both the K1 and K2 lodes. These results extend the known Kora mineralization in this Northern Extension over a strike length of approximately 150 metres and a dip extent of approximately 100 metres.

K92 drill hole KMDD0022 has intersected 3.4 metres at 11.76 grams per tonne Au, 21 g/t silver and 2.84 per cent Cu (16.37 g/t gold equivalent (AuEq)) approximately 25 metres along strike to the south and 25 metres down dip from drill cuddy DDC1.

In addition, the Company has continued to develop along the strike of the Kora lode with a 3.5- to four-metre by four-metre drive in a northerly and southerly direction and has now mined over 7,000 tonnes of material at an average grade of approximately 6.5 g/t Au and 1 per cent Cu. This material is being treated through the process plant on a continuing basis, producing a copper-gold flotation concentrate.

The ongoing results from the development along the Kora lode and from the diamond drilling program have continued to build our confidence in the quality and continuity of this Northern Extension of Kora. We have now mined over 7,000 tonnes mined at an average grade of approximately 6.5 g/t Au and 1 per cent copper from this strike drive an average width of approximately 3.5 metres and height of four metres over a continuous length of over 120 metres. We plan not only to continue to mine along strike on the current level, but to develop drives along strike on two upper levels, which will also allow stoping to commence in early 2018.

Based on the continuing success of the Kora exploration drill program, K92 has added a second drill rig which is now operating from an underground set-up. This will increase data flow as K92 targets to build up tonnage via drilling at grade control spacing in the immediate area surrounding the Kora extension discovery while also targeting to conduct enhanced exploration of Kora, a deposit which remains not only open in every direction but strongly mineralized at the extent of all drilling.

K92 also reports that it is continuing to drive along the strike of the Kora vein in a northerly and southerly direction with this mined material being processed through the plant.

The Company also completed treating an initial 2,050-tonne bulk sample from the interpreted Kora vein and has final results from treating this material.

A total of 96 tonnes of concentrate at an average grade of 138 grams per tonne gold and 19 per cent copper containing 427 ounces of gold and 18.2 tonnes of copper were produced from this 2,050-tonne bulk sample. The bulk sample was mined from a four-metre-by-four-metre horizontal development designed to reflect the production stoping width envisaged in the preliminary economic assessment referred to below. The average grade of the material treated was 7.11 g/t Au and 0.95 per cent Cu, which is consistent with that predicted from grade control face sampling underground.

The Company believes that there is considerable potential to improve metallurgical performance beyond the impressive results achieved in treating this first bulk sample with the installation of a gravity gold circuit and the optimization of the flotation circuit following detailed review of the performance of the plant.

The results achieved in treating this initial 2,050-tonne bulk sample from Kora are significantly above our best expectations. To achieve this level of metallurgical performance from almost the very first tonne treated is outstanding and a testament to the quality and ability of our processing personnel. While the results are consistent with those achieved in earlier metallurgical testwork reported in the PEA, it is exciting to consider that our processing personnel believe that the plant performance can be improved beyond that already achieved following detailed analysis of these results. Of equal or potentially greater importance is that the bulk sample was mined from a part of Kora which was only discovered by the Company in May of this year and is 500 metres down dip and a similar distance along strike from the known Kora deposit.

Exploration

K92 Mining Inc.'s fieldwork in the Blue Lake area of EL470 has resulted in the identification of a new, highly prospective exploration area.

At Blue Lake (Pomasi), K92 has identified gold/silver/copper mineralization and hydrothermal alteration typical of that encountered in a high-sulphidation epithermal system.

In Papua New Guinea, both currently known high-sulphidation gold-/copper-bearing deposits are adjacent to world-class gold/copperporphyries, being Nena to Freida Horse-Ivaal at the PanAust Frieda River project and Wafi to Golpu at the Morobe mining joint venture between Newcrest and Harmony.

During fieldwork at Blue Lake, K92 identified mineralized gold-bearing vuggy silica and gold/silver/copper mineralized breccias hosted in a heavily fractured dacite/rhyodacite, presumably a dome, and manifested within a network of intersecting northwest (arc parallel), north-northeast (transfer) and transtensional north-south structures. Gold, silver and copper results from rock-chip sampling have returned values up to 20.04 grams per tonne gold, 228.8 grams per tonne silver and 15.6 per cent copper, respectively.

Localized diorite in outcrop, showing high-level cupola textures, is pervasive dickite-pyrite altered, with stockwork quartz-pyrite-plus-or-minus-chalcopyrite veins. A prominent airborne EM (electromagnetic) geophysical anomaly, adjacent to the mineralized dickite-altered diorite, is also coincident with high gold in soils.

Mineral zonation, from an inner vuggy silica core, surrounded by kaolinite and grading to chlorite plus or minus epidote is evident. A major silica-alunite lithocap is marginal to the epithermal mineralization and occupies the highest relief of the intense alteration observed throughout the Blue Lake prospect intrusive complex.

Chris Muller, BSc, P. Geo, 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.

Results of Operations for the nine month period ended September 30, 2017

During the nine month period ended September 30, 2017, the Company incurred a loss of $10,162,667 as compared to a loss of $14,347,742 for the nine months ended August 31, 2016. Significant items making up the loss, and changes from prior periods, are as follows:

A decrease of mine site administration expense to $Nil (August 31, 2016 - $4,769,514). Effective December 1, 2016 the Company began capitalizing Mine Development costs to Property, plant and equipment, as the accounting criteria for capitalization had been met.

A decrease of consulting and administrative of $823,609 to $1,740,132 (August 31, 2016 – $2,563,741). The decrease was due to one-time bonuses paid in prior year. The remaining balance is comparable to prior year and consists of management, corporate office consultants, and financial advisory services.

Fair value loss on gold purchase agreement of $2,012,400 (August 31, 2016 – $4,450,575). 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.

Impairment of property, plant, and equipment of $1,717,837 (August 31, 2016 - $Nil) which was a result of vandalism at site. Property damaged include two MT 2010 low profile underground dump trucks, CAT 924 IT Loader, 2 Toyota Landcruiser's, 2 ATV's, and a diesel compressor.

Amortization of deferred loss of $2,677,637 (August 31, 2016 - $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 3,675 gold ounce credits to CRH.

Summary of Quarterly Results

The following table summarizes the three month period ended September 30, 2017, the four-month period ended December 31, 2016 and the quarterly results for each of the remaining six quarters:

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Total assets	$ 38,435,952	$ 41,732,823	$ 29,282,274	$ 24,873,985
Working capital (deficiency)	(6,073,021)	(2,718,358)	(8,250,402)	(4,928,922)
Shareholders equity (deficiency)	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)	(0.05)	(0.04)
	August 31, 2016	May 31, 2016	February 29, 2016	November 30, 2015
Total assets	$ 21,883,284	$ 8,581,343	$ 5,032,934	$ 4,452,318
Working capital (deficiency)	2,308,701	(1,056,120)	(4,118,315)	(4,158,525)
Shareholders equity (deficiency)	6,745,341	(594,136)	(3,235,342)	(2,185,249)
Net income (loss)	(9,284,653)	(4,012,996)	(1,050,093)	(1,024,687)
Net income (loss) per share	(0.16)	(0.08)	(0.02)	(0.02)

The increase in net loss for the periods ended December 31, 2016, August 31, 2016 and May 31, 2016 mainly relate to mine site costs as subsequent to December 1, 2016, the Company began capitalizing these costs to Mineral Properties under Development.

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 month period ended September 30, 2017

During the three month period ended September 30, 2017, the Company incurred a loss of $3,489,632 as compared to a loss of $9,284,653 for the quarter ended August 31, 2016. Significant items making up the loss, and changes from prior periods, are as follows:

A decrease of mine site administration expense to $Nil (August 31, 2016 - $2,840,193). Effective December 1, 2016 the Company began capitalizing Mine Development costs to Property, plant and equipment, as the accounting criteria for capitalization had been met.

A decrease of consulting and administrative of $884,852 to $726,243 (August 31, 2016 – $1,611,095). The decrease was due to one-time bonuses paid in prior year. The remaining balance is comparable to prior year and consists of management, corporate office consultants, and financial advisory services.

Impairment of property, plant, and equipment of $1,717,837 (August 31, 2016 - $Nil) which was a result of vandalism at site. Property damaged include two MT 2010 low profile underground dump trucks, CAT 924 IT Loader, 2 Toyota Landcruiser's, 2 ATV's, and a diesel compressor.

Fair value loss on gold purchase agreement of $355,015 (August 31, 2016 – $4,450,575). 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.

Liquidity

As at September 30, 2017, the Company had a working capital deficit of $6,073,021 (December 31, 2016 – $4,928,922). This balance included a cash balance of $3,279,119 (December 31, 2016 - $4,291,697) to settle current liabilities of $11,978,895 (December 31, 2016 - $10,532,282).

The Company continues to work towards the declaration of commercial production at the Kainantu mine. In March 2017 the Company began pre-production activities and to date has sold gold concentrate produced during pre-production totaling and received cash of $4,202,551.

Operating Activities: The Company does not currently generate cash from operating activities. Net cash used by the Company for operating activities, for the period ended September 30, 2017 was $3,577,846 compared to $11,958,586 for the period ended August 31, 2016.

Investing Activities: During the period ended September 30, 2017, the Company purchased $16,351,452 in property, plant, and equipment including $89,140 in lease payments and received $3,300,089 in pre-production gold sales.

Financing Activities: During the period ended September 30, 2017 included the issuance of capital stock for $19,864,463. In addition, the Company had warrants ($1,095,111) and stock options ($31,167) exercised and purchased 3,675 gold credits for $4,594,770 that was transferred to CRH as per the GPA and incurred share issuance costs of $913,973.

Subsequent to September 30, 2017, the Company also raised CAD$2,012,959 through the exercise of 4,211,631 warrants.

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. 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.

Related Party Transactions

Key management compensation

During the nine month period ended September 30, 2017, the Company paid or accrued:

a) Consulting fees of $205,895 (August 31, 2016 - $385,500) to a director and former CEO of the Company, $75,600 (August 31, 2016 – $119,300) to the CFO of the Company, $247,100 (August 31, 2016 - $253,300) to the CEO, director, and former COO of the Company, $56,250 (August 31, 2016 - $250,000) to the Chairman of the Board, and $162,000 (August 31, 2016 – $342,000) to the president of the Company. The Company also paid professional fees of $14,411 (August 31, 2016 - $10,774) to a Company related to the CFO.

b) Share-based compensation of $857,323 (August 31, 2016 - $315,588) to the officers and directors of the Company was recorded.

Included in accounts payable and accrued liabilities is $46,276 (December 31, 2016 - $4,951) due to directors, officers, and companies controlled by directors and officers of the Company that is non-interest bearing and due on demand.

Outstanding Share Data

As at the date of this report the Company had 161,746,910 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
7,092,600	$	0.45	May 20, 2021
100,000		1.93	July 29, 2021
3,198,000		1.00	December 5, 2021
3,220,000		0.65	October 23, 2022

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

Number	Exercise price (CAD)	Expiry date
14,386,666	1.00	March 21, 2018
17,867,660	1.05	June 27, 2018

Off-Balance Sheet Arrangements

At September 30, 2017, 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

The Company has no commitments for capital expenditures at the date of this report.

The Company will continue to seek capital. 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

There was no new significant accounting policies adopted during the period ended September 30, 2017.

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 Billmoia Landowners Association Incorporation ("**BLA**") and certain landowners / clans listed in the agreement. The actual recipients of the compensation determined under the CA and landowners' share of sales royalty 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, 2017 was $551,469 (1.75 million Papua New Guinea Kina), 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 condensed consolidated interim 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.

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, 2017, the Company had a cash and cash equivalents balance of $3,279,119 (December 31, 2016 - $4,291,697) to settle current liabilities of $11,978,895 (December 31, 2016 - $10,532,282). 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, 2017, 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.

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 and ore production. 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."