("K92" or "the Company")

FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FOUR MONTH PERIOD ENDED DECEMBER 31, 2016

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 four month period ended December 31, 2016. The MD&A takes into account information available up to and including April 19, 2017 and should be read together with 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 four-month period ended December 31, 2016, the Company:

- Had converted 5,000,000 of the CRH Funding II Pte. Ltd. preferred shares in to 9,503,662 common shares of the Company.
- Exercised its rights to trigger the early exercise clause on the 10,000,000 warrants exercisable at CAD$0.75 and received CAD$7,500,000 upon their exercise.
- Granted 3,265,000 stock options to employees, officers, directors, and an investor relations provider. The options are exercisable at CAD$1.00 and vest over a 12-month period expiring December 5, 2021.
- Began trading on the OTCQB Venture Market in the United States under the symbol "KNTNF".
- Commenced gold pre-production at Irumafimpa.

Subsequent to December 31, 2016, the Company:

- Completed a non-brokered private placement by issuing 13,333,333 units at a price of CAD$0.75 per unit for gross proceeds of CAD$10,000,000. Each unit consisted of one common share and one share purchase warrant exercisable for one year at a price of CAD$1.00. In connection with the offering, the Company paid finder's fees of 1,053,333 shares and 1,053,333 warrants with the same terms as above.
- Issued 46,200 common shares from the exercise of stock options;
- Issued 1,541,285 common shares from the exercise of warrants;
- Purchased and transferred 3,000 ounce gold credits to CRH to satisfy the first required payment as outlined under the CRH loan.
- Sold gold concentrate for $571,000, net, subject to final review of material.

Change in year-end

In an effort to mirror the statutory audit cycle in Papua New Guinea as well as to mirror production Company's reporting cycles, the Company changed its year end to December 31 beginning with December 31, 2016. As such the Company's current reporting period is a four-month period ended December 31, 2016.

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 in Papua New Guinea and expects to ramp up gold pre-production in 2017.

In addition, the Company intends to complete the underground incline drive from Irumafimpa to Kora with testing to be undertaken along the way.

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.

Gold pre-production has commenced from K92 Mining Inc.'s Irumafimpa deposit.

K92 purchased the Kainantu gold mine from Barrick Gold Corp. in 2015. The initial resource estimate for the Kora and Irumafimpa deposits, situated within the Company's ML150, is 1.84 million inferred ounces at 11.6 grams per tonne gold equivalent and 240,000 indicated ounces at 13.3 grams per tonne gold equivalent (based on the independent technical report, "Resource Estimate and Summary of Mining Facilities, Kainantu Project, Papua New Guinea," prepared by Nolidan Mineral Consultants, with Anthony Woodward, BSc (honours), MSc, MAIG, as author, and dated April 15, 2016, a copy of which is available for review and has been filed on SEDAR under the Company's profile and contains a full description of all underlying assumptions). This mineral resource estimate is based on 78,935 metres of drilling from 767 holes and 18,312 metres of assayed intervals across all lodes.

Kainantu Gold Mine – Kora Deposit

The Company commenced the underground incline drive from the Irumafimpa mine toward the Kora deposit.

This five-metre-by-five-metre drive is designed to provide access to the Kora deposit, where K92 is targeting the commencement of production in first half 2018, while also providing the Company with the ability to drill test thereafter between Irumafimpa and Kora from underground set-ups. This area has not been previously tested due to topographical challenges associated with drilling from the surface and is considered highly perspective given the current interpretation of Irumafimpa and Kora being on the same vein structure.

Drilling and blasting have commenced and the drive to Kora will represent a continuation, from the switchback point, of the current Irumafimpa incline drive that is accessed from the 840 portal.

It is estimated that the Kora deposit is approximately 700 metres from the switchback point. The Company estimates that it will take about nine months from the start date to complete the drive and the drive is planned to extend to the mining lease 150 boundary, which is the current known limit of Kora mineralization. Drill testing from underground set-ups, designed to take place at 100-metre intervals along the way, is expected to commence within the next 60 days.

In addition to drilling between the Irumafimpa and Kora deposits, K92 will also be drilling down dip from the known resource to infill between the known resource and the single deepest known hole drilled on the deposit BKDD0023. This hole recorded an intersection of 30.6 metres at 2.0 grams per tonne Au, 4.8 g/t Ag and 1.3 per cent Cu, including 6.4 metres at 5.52 g/t Au and eight metres at 3.7 per cent Cu from 920.8 metres, approximately 500 metres below the current resource.

Consideration will be given to extending the drive beyond the mining lease 150 into the adjacent exploration lease (EL 693) which is also held by K92, to allow exploration drilling to be undertaken to potentially extend the known limit of mineralization to the north.

K92 has filed and made available for download on the Company's SEDAR profile a technical report titled "Independent technical report, mineral resource update and preliminary economic assessment (PEA) of Irumafimpa and Kora gold deposits, Kainantu project, Papua New Guinea" with an effective date of March 2, 2017.

The PEA estimates for Kora, based on the current resource estimates (4.36 million tonnes of 7.3 g/t Au, 35 g/t Ag and 2.23 per cent Cu):

- Over a nine-year operating life the plant would treat 3.2 million tonnes averaging 7.1 g/t Au, 25 g/t Ag and 1.7 per cent Cu (9.3 g/t gold equivalent (AuEq));
- This would generate an estimated positive cash flow of $537-million (U.S.) using $1,300/gold ounce f 15 m levels are used in mining. If 25 m levels are used then net cash flows are estimated as $558-million (U.S.). This cash flow includes conceptual allowances for capital;
- Production of an estimated average of 108,000 AuEq ounces per annum over an eight-year period from year 2 through to year 9;
- An estimated pretax NPV (net present value) of $415-million (U.S.) for 25 m levels or $397-million (U.S.) for 15 m levels, using gold price above and a 5-per-cent discount;
- An estimated after-tax NPV of $329-million (U.S.) for 25 m levels or $316-million (U.S.) for 15 m levels, using gold price above and a 5-per-cent discount;
- Additional capital cost is estimated to be $13.8-million (U.S.), including the $3.3-million (U.S.) for the plant upgrade identified in the Mincore scoping study but excluding the proposed Kora exploration inclines and diamond drilling. Sustaining capital cost is estimated to a further $64-

million (U.S.) spent over the life of the Kora mining for 25 m levels or $83-million (U.S.) for 15 m levels; and

- Operating cost per tonne is estimated to be $125 (U.S.) per tonne for 25 m levels or $126 (U.S.) per tonne for 15 m mining levels.

Exploration

The Company commenced a major exploration program on ELs (exploration leases) 683 and 470 immediately to the north and west of the company's ML (mining lease) 150. The program is designed to follow up previous work on anomalous drainage sampling results which indicated that the mineralized structures present in ML 150 continued to the north across the Baupa River toward the processing plant. The fieldwork commenced in late January 2017 and the first phase of the work includes:

- Establishment of an exploration camp close to the Kokomo village;
- Prospecting, sampling, mapping and assessment of the mineralized veins on the northern side of Baupa River;
- Mapping of the geology within the drainage systems and surface exposures, and linking them with the prospected veins;
- Conducting a ridge and spur soil sample survey for indications of anomalous geochemical dispersion from the auriferous veins across a select number of ridges and spurs;
- Trenching along the length of identified veins to establish widths, grades and strike extent;
- Conducting a land boundary survey concurrent with the field exploration work in close collaboration with the Community Affairs Department and knowledgeable Pomasi elders.

Although the exploration program is in very early stages, numerous quartz veins have been identified, which are potentially extensions of the known mineralized vein systems (Irumafimpa/Kora, Judd and Karempa) encountered within ML 150.

In addition a new vein system termed the Kokomo vein has been identified in the main access incline striking north into the current exploration area. Initial samples from the Kokomo vein within ML 150 have been assayed and have high grades of gold and silver as do multiple samples from potential extensions of the vein swarm onto EL 693.

The initial results from sampling a number of these veins are summarized in the attached table (see February 9, 2017 news release).

INITIAL RESULTS FOR SURFACE SAMPLING FROM EXPLORATION PROGRAM

Licence	Prospect	Sample ID	RL	Sample type	Interval	Au (ppm)	Ag(ppm)	Cu(%)
EL693	Kokomo	K92RC_08006	836	float	N/A	2.94	50.7	0.05
EL693	Kokomo	K92RC_08007	844	float	N/A	4.65	30.9	0.06
EL693	Kokomo	K92RC_08008	854	channel	0.8	2.31	31.6	0.01
EL693	Kokomo	K92RC_08009	864	channel	1	2.16	31.3	0.08
EL693	Kokomo	K92RC_08010	872	channel	0.6	58.90	82.9	0.02
EL693	Kokomo	K92RC_08011	873	channel	0.8	32.00	54.2	0.07
EL693	Kokomo	K92RC_08012	870	float	N/A	3.73	96.6	0.02

The Kokomo vein has been sampled underground as well as in the Baupa River to the north striking into the exploration area. Results for the sampling of this vein system are provided in the attached table.

KOKOMO VEIN SYSTEM RESULTS

Licence	Prospect	Sample ID	RL	Sample type	Interval	Au (ppm)	Ag(ppm)	Cu(%)
ML150	Kokomo	K92RC_00383	863	channel	0.5	5.49	76.0	0.28
ML150	Kokomo	K92RC_00384	863	channel	0.5	25.10	146.0	0.25
ML150	Kokomo	K92RC_00385	863	channel	0.5	0.75	20.8	0.20
ML150	Kokomo	K92RC_00386	863	channel	0.5	2.39	97.9	0.20
ML150	Kokomo	K92RC_00388	907	float	N/A	14.70	79.3	0.15
ML150	Kokomo	K92RC_00097	855	channel	1	2.54	pend.	pend.
ML150	Kokomo	K92RC_00099	848	grab	N/A	3.83	pend.	pend.
ML150	Kokomo	K92RC_00100	848	channel	0.3	60.60	pend.	pend.

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.

Selected Annual Information

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

	Four months ended December 31, 2016	August 31, 2016	August 31, 2015
Net loss	$ 4,094,104	$ 15,372,429	$ 3,450,234
Basic and diluted loss per share	0.04	0.26	0.07
Total assets	24,873,985	21,883,284	4,645,432
Working capital (deficiency)	(4,928,922)	2,308,701	(3,217,152)
Total long-term liabilities	5,152,919	7,857,974	1,852,183
Cash dividends	-	-	-

Results of Operations for the period ended December 31, 2016

During the period ended December 31, 2016, the Company incurred a loss of $4,094,104 as compared to a loss of $15,372,429 for the year ended August 31, 2016. This primarily related to comparing the 4-month period ended December 31, 2016 to the year-ended August 31, 2016. Significant items making up the loss, and changes from prior periods, are as follows:

Accretion expense of $59,624 (year ended August 31, 2016 - $145,118). This is the cost related to the reclamation and closure cost obligations. The Company has estimated future reclamation costs at the end of the mine life and recorded the accretive portion of the expense in the current period.

A decrease in amortization expense of $107,790 to $43,401 (year ended August 31, 2016 - $151,191). This is due to amortization recorded on the assets purchased as part of the acquisition of Barrick (Kainantu) Limited.

A decrease in consulting and administrative expense of $2,158,677 to $824,632 (year ended August 31, 2016 - $2,983,309). The decrease (on an annualized basis) is due to decreased costs of consultants during the period and includes management and director fees, professional fees, filing fees, and office and administrative fees.

A decrease of general and indirect mining administrative expense of $1,046,371 to $4,257,903 (year ended August 31, 2016 - $5,304,274). This includes all site costs including management, administration, security, community relations, technical services and human resources up to November 30, 2016. Effective December 1, 2016 the Company began capitalizing Mine Development costs to Property, plant and equipment as the capitalization criteria per the Company's accounting policies had been met.

Investor relations of $443,998 (year ended August 31, 2016 - $1,138,158). The prior year primarily related to the Company going public in May 2016 and included investor relations, shareholder communication, and business development.

Gain on settlement of debt of $Nil (year ended August 31, 2016 - $406,880). The prior year gain was negotiated settlements of accounts payable and accrued liabilities.

Listing expense of $Nil (year ended August 31, 2016 - $1,608,070). This relates to the reverse takeover of Otterburn Resources Corp. Details of how the listing expense was calculated can be seen in Note 4 of the audited consolidated financial statements.

Fair value gain on gold purchase agreement of $2,564,810 (year ended August 31, 2016 – loss of $4,450,575). This relates in the fair value adjustment to the CRH gold prepayment due to the changes in assumptions in the estimate of the fair value of the CRH gold prepayment from the inception of the loan to the end of the year. See Note 12 to the audited consolidated financial statements for details.

Summary of Quarterly Results

The following table summarizes the four-month period ended December 31, 2016 and the quarterly results for each of the previous seven quarters:

	December 31, 2016	August 31, 2016	May 31, 2016	February 29, 2016
Total assets	$ 24,873,985	$ 21,883,284	$ 8,581,343	$ 5,032,934
Working capital (deficiency)	(4,928,922)	2,308,701	(1,056,120)	(4,118,315)
Shareholders equity (deficiency)	9,188,784	6,745,341	(594,136)	(3,235,342)
Net income (loss)	(4,094,104)	(9,284,653)	(4,012,996)	(1,050,093)
Net income (loss) per share	(0.04)	(0.16)	(0.08)	(0.02)
	November 30, 2015	August 31, 2015	May 31, 2015	February 28, 2015
Total assets	$ 4,452,318	$ 4,645,432	$ 5,239,397	$ 2,069,870
Working capital (deficiency)	(4,158,525)	(3,217,152)	(2,380,719)	742,112
Shareholders equity (deficiency)	(2,185,249)	(1,160,562)	(406,816)	742,112
Net income (loss)	(1,024,687)	(753,746)	(1,148,928)	(823,656)
Net income (loss) per share	(0.02)	(0.02)	(0.02)	(0.02)

The increase in net loss for the four-month period ended December 31, 2016 primarily relates to mining and site administration expense, for the quarter ended August 31, 2016 primarily relates to the fair value adjustment on the CRH financing liability and the increase in net loss for the quarter ended May 31, 2016 primarily relates to the increased activity In Papua New Guinea after completing the CRH Financing.

Results of Operations for the four-month period ended December 31, 2016

During the four-month period ended December 31, 2016, the Company incurred a loss of $4,094,104 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:

An increase of general and indirect mining administrative expense of $1,448,240 to $4,257,903 (August 31, 2016 - $2,809,663). This includes all site costs including management, administration, security, community relations, technical services and human resources up to November 30, 2016. Effective December 1, 2016 the Company began capitalizing Mine Development costs to Property, plant and equipment. This increase reflects the increased activity at the mine site.

A decrease of consulting and administrative of $786,463 to $824,632 (August 31, 2016 – $1,611,095). The Company's first complete quarter being public was the quarter ended August 31, 2016 which included many one-time fees, resulting in a decrease for the four-month period ended December 31, 2016.

Fair value gain on gold purchase agreement of $2,564,810 (August 31, 2016 – loss of $4,450,575). This relates in the fair value adjustment to the CRH gold prepayment being the difference between the price CRH paid and the estimated present value of the gold to be repaid.

Liquidity

K92's mineral exploration and development activities currently do not provide a source of income and we therefore have a history of losses, working capital deficiencies and an accumulated deficit. However, given the nature of our business, the results of operations as reflected in the net losses and losses per share do not provide a complete interpretation of our valuation.

As at December 31, 2016, the Company had a working capital deficit of $4,928,922 (August 31, 2016 – surplus of $2,308,701). This balance included a cash balance of $4,291,697 (August 31, 2016 - $7,669,314) to settle current liabilities of $10,532,282 (August 31, 2016 - $7,279,969).

Operating Activities: The Company does not generate cash from operating activities. Net cash used by the Company for operating activities, general and indirect mining administration expense, for the period ended December 31, 2016 was $4,257,903 compared to $12,282,588 for the year ended August 31, 2016.

Investing Activities: During the period ended December 31, 2016, the Company spent $48,875 on lease payments on equipment at site and purchased $5,028,476 in property, plant, and equipment. For the year-ended August 31, 2016, the Company acquired $1,472,329 of cash through the reverse takeover of Otterburn Resources Corp. and purchased $6,691,382 in property, plant and equipment.

Financing Activities: During the period ended December 31, 2016 included the exercise of warrants for $6,287,893. During the year ended August 31, 2016 the Company received $3,964,129 from Otterburn Resources Corp. prior to the completion of the reverse takeover, other loans of $50,922, and repaid loans of $387,674. The Company raised $11,164,289 through the issuance of capital stock and $2,677,419 through the issuance of preferred shares, $4,813,974 from the CRH financing, $2,997,864 from the exercise of warrants and paid $272,817 in share issuance costs.

The audited consolidated 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 continue to raise capital. 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. Subsequent to December 31, 2016, the Company raised $10,000,000 as disclosed in the Performance Summary and Subsequent Events section above.

Related Party Transactions

Key management compensation

During the period ended December 31, 2016, the Company paid or accrued:

a) Consulting fees of $96,000 (year-ended August 31, 2016 - $423,000) to a director and CEO of the Company, $33,600 (year-ended August 31, 2016 – $141,800) to the CFO of the Company, $87,600 (year-ended August 31, 2016 - $253,300) to the COO of the Company, $Nil (year-ended August 31, 2016 - $30,000) to the former COO of the Company, $25,000 (year-ended August 31, 2016 - $250,000) to the Chairman of the Board, and $72,000 (year-ended August 31, 2016 – $366,000) to the president of the Company. The Company also paid professional fees of $5,958 (year-ended August 31, 2016 - $10,774) to a Company related to the CFO.

b) Share-based payments of $596,742 (year-ended August 31, 2016 - $315,588) to the officers and directors of the Company was recorded.

Included in accounts payable and accrued liabilities is $4,951 (August 31, 2016 - $111,853) 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 135,400,678 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
7,185,000	$	0.45	May 20, 2021
100,000		1.93	July 29, 2021
3,265,000		1.00	December 5, 2021

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

Number	Exercise price (CAD)		Expiry date
11,166,624	$	0.50	November 20, 2017
7,078,255		1.50	July 20, 2017
1,829,061		1.75	July 25, 2017
14,386,666		1.00	March 21, 2018

Contractual Obligations

As at April 19, 2017 the Company had the following contractual obligation:

Rental Commitments

The Company has commitments related to the minimum rental and operating expenses payments for the Company's office space in downtown Vancouver. The lease was effective July 1, 2016 and concludes on March 29, 2018. These commitments in each of the next two years to the conclusion of the lease period are approximately as follows:

Year incurred	Amount	
2017	$	108,366
2018		27,091
Total commitments	$	135,457

Off-Balance Sheet Arrangements

At December 31, 2016, 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 December 31, 2016.

Critical Accounting Policies and Estimates

The preparation of the annual audited 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:

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 December 31, 2016 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 audited consolidated financial statements.

Acquisition accounting

The Company accounted for the Acquisition of Barrick (Kainantu) Limited as an asset acquisition. Significant judgment and estimates were required to determine that the application of this accounting treatment was appropriate for the transaction. These included, among others, the determination that Barrick (Kainantu) Limited was not considered a business under IFRS 3: Business combinations, the basis for the calculation of the fair value of the consideration transferred and the estimate of the fair value of the net assets acquired.

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. Fair value of the CRH financing approximate their carrying value at August 31, 2016.

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 December 31, 2016, the Company had a cash and cash equivalents balance of $4,291,697 (August 31, 2016 - $7,669,314) to settle current liabilities of $10,532,282 (August 31, 2016 - $7,279,969). 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 December 31, 2016, 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."