

K92 **MINING INC.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Presented in thousands of United States Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

K92 MINING INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Presented in thousands of United States Dollars)
(Unaudited)

As at	September 30, 2023	December 31, 2022
ASSETS		
Current		
Cash and cash equivalents	\$ 79,913	\$ 109,938
Receivables (Note 4)	22,442	29,257
Inventories (Note 5)	37,878	28,510
Prepayments	3,921	5,624
Derivative assets (Note 10)	<u>196</u>	<u>-</u>
	144,350	173,329
Deferred tax assets	-	2,590
Deposits on equipment	6,413	4,338
Property, plant and equipment (Note 7)	<u>237,508</u>	<u>190,458</u>
	\$ 388,271	\$ 370,715
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 37,403	\$ 36,966
Income tax payable (Note 4)	4,081	4,121
Current portion of lease liabilities (Note 9)	5,531	5,324
Derivative liabilities (Note 10)	<u>-</u>	<u>1,747</u>
	47,015	48,158
Deferred tax liabilities	3,276	-
Lease liabilities (Note 9)	625	4,773
Reclamation and closure cost obligations (Note 8)	<u>8,822</u>	<u>8,478</u>
	59,738	61,409
Equity		
Share capital (Note 11)	144,345	142,066
Contributed surplus (Note 11)	30,408	26,644
Accumulated other comprehensive loss	(257)	(257)
Retained earnings	<u>154,037</u>	<u>140,853</u>
	<u>328,533</u>	<u>309,306</u>
	\$ 388,271	\$ 370,715

Subsequent events (Note 18)

Approved and authorized by the Audit Committee on November 10, 2023:

“Saurabh Handa”

Director

“Mark Eaton”

Director

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

K92 MINING INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSS)**

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

(Unaudited)

For the	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
REVENUE (Note 14)	\$ 32,814	\$ 36,438	\$ 124,939	\$ 126,206
COST OF SALES (Note 15)	<u>(22,513)</u>	<u>(20,784)</u>	<u>(75,449)</u>	<u>(66,488)</u>
Earnings from mine operations	10,301	15,654	49,490	59,718
EXPENSES				
General and administrative (Note 16)	\$ (1,254)	\$ (1,607)	\$ (5,436)	\$ (5,056)
Exploration and evaluation expenditures	(5,221)	(4,497)	(15,316)	(11,251)
Foreign exchange	(1,799)	(2,715)	(644)	(2,945)
Share-based payments	<u>(1,350)</u>	<u>(804)</u>	<u>(3,920)</u>	<u>(2,500)</u>
Earnings from operations	\$ 677	\$ 6,031	\$ 24,174	\$ 37,966
OTHER				
Interest and finance expense (Note 17)	(925)	(796)	(2,909)	(2,283)
Interest income	800	349	2,291	518
Gain (loss) on derivative instruments (Note 10)	<u>163</u>	<u>647</u>	<u>(738)</u>	<u>306</u>
Earnings before taxes	\$ 715	\$ 6,231	\$ 22,818	\$ 36,507
Income tax expense	<u>(1,334)</u>	<u>(3,177)</u>	<u>(9,635)</u>	<u>(14,235)</u>
Net (loss) earnings and comprehensive (loss) earnings	<u>\$ (619)</u>	<u>\$ 3,054</u>	<u>\$ 13,183</u>	<u>\$ 22,272</u>
(Loss) earnings per share (Note 11)				
Basic	\$ (0.00)	\$ 0.01	\$ 0.06	\$ 0.10
Diluted	\$ (0.00)	\$ 0.01	\$ 0.06	\$ 0.10
Weighted average number of shares outstanding (Note 11)				
Basic	234,322,462	231,929,339	234,060,780	227,675,629
Diluted	234,322,462	237,091,685	238,716,758	232,855,480

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

K92 MINING INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Presented in thousands of United States Dollars)
(Unaudited)

For the	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
CASH FROM OPERATING ACTIVITIES				
Net (loss) earnings for the period	\$ (619)	\$ 3,054	\$ 13,183	\$ 22,272
Items not affecting cash:				
Unrealized foreign exchange loss	1,507	2,167	269	2,466
Interest and finance expenses	98	531	1,129	1,068
Derivative instruments (Note 10)	(163)	(647)	738	(306)
Deferred income tax	2,215	1,970	5,766	4,556
Share-based payments (Note 11)	2,119	1,156	5,142	3,369
Depreciation and depletion	6,176	4,488	19,972	13,416
Net (payments) proceeds from derivatives (Note 10)	(483)	72	(2,681)	(886)
Changes in non-cash working capital items:				
Inventories	(3,767)	(3,794)	(7,561)	(5,023)
Receivables	5,176	934	6,135	3,042
Income tax payable	(1,085)	(1,420)	(40)	(1,124)
Prepayments	1,178	665	1,703	388
Accounts payable and accrued liabilities	(1,277)	2,355	(865)	8,768
Net cash provided by operating activities	<u>11,075</u>	<u>11,531</u>	<u>42,890</u>	<u>52,006</u>
CASH FROM INVESTING ACTIVITIES				
Deposits for equipment	(4,287)	(3,034)	(6,376)	(7,076)
Acquisition of property, plant and equipment	(19,499)	(16,130)	(62,981)	(46,743)
Net cash used in investing activities	<u>(23,786)</u>	<u>(19,164)</u>	<u>(69,357)</u>	<u>(53,819)</u>
CASH FROM FINANCING ACTIVITIES				
Proceeds on issuance of share capital (Note 11)	-	38,324	-	38,324
Share issuance costs (Note 11)	-	(2,336)	-	(2,336)
Proceeds on exercise of stock options	-	52	902	7,331
Principal lease payments (Note 9)	(1,344)	(1,203)	(3,917)	(3,532)
Net cash (used in) provided by financing activities	<u>(1,344)</u>	<u>34,837</u>	<u>(3,015)</u>	<u>39,787</u>
Change in cash and cash equivalents during the period	(14,055)	27,204	(29,482)	37,974
Effect of foreign exchange on cash	(1,589)	(2,203)	(543)	(2,515)
Cash and cash equivalents, beginning of period	<u>95,557</u>	<u>81,728</u>	<u>109,938</u>	<u>71,270</u>
Cash and cash equivalents, end of period	\$ 79,913	\$ 106,729	\$ 79,913	\$ 106,729
Cash paid for interest	\$ (821)	\$ (265)	\$ (3,134)	\$ (1,410)
Cash received for interest income	\$ 790	\$ 349	\$ 2,281	\$ 518
Cash paid for taxes	\$ -	\$ (2,629)	\$ (3,583)	\$ (10,791)

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

K92 MINING INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

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

(Unaudited)

	Share capital		Contributed surplus	Accumulated other comprehensive loss	Retained Earnings	Total
	Number	Amount				
Balance at December 31, 2021	224,242,737	\$ 92,021	\$ 28,042	\$ (257)	\$ 105,330	\$ 225,136
Shares issued on exercise of stock options (Note 11)	2,638,200	12,445	(5,114)	-	-	7,331
Bought deal financing	5,405,500	38,324	-	-	-	38,324
Share issuance costs	-	(2,336)	-	-	-	(2,336)
Share-based payments (Note 11)	-	-	3,369	-	-	3,369
Net earnings for the period	-	-	-	-	22,272	22,272
Balance at September 30, 2022	232,286,437	\$ 140,454	\$ 26,297	\$ (257)	\$ 127,602	\$ 294,096
Shares issued on exercise of stock options (Note 11)	1,072,000	1,501	(550)	-	-	951
Shares issued on vesting of RSUs (Note 11)	21,459	111	(111)	-	-	-
Share-based payments (Note 11)	-	-	1,007	-	-	1,007
Net earnings for the period	-	-	-	-	13,252	13,252
Balance at December 31, 2022	233,379,896	\$ 142,066	\$ 26,643	\$ (257)	\$ 140,854	\$ 309,306
Shares issued on exercise of stock options (Note 11)	755,000	1,366	(464)	-	-	902
Shares issued on vesting of RSUs (Note 11)	75,818	430	(430)	-	-	-
Shares issued on vesting of PSUs (Note 11)	111,748	483	(483)	-	-	-
Share-based payments (Note 11)	-	-	5,142	-	-	5,142
Net earnings for the period	-	-	-	-	13,183	13,183
Balance at September 30, 2023	234,322,462	\$ 144,345	\$ 30,408	\$ (257)	\$ 154,037	\$ 328,533

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

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

September 30, 2023

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

(Unaudited)

1. NATURE OF BUSINESS

K92 Mining Inc. (the “**Company**”) was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on March 22, 2010. The Company’s shares are listed on the Toronto Stock Exchange (“**TSX**”) under the symbol “KNT” and quoted on the OTCQX under the symbol “KNTNF”. The Company is currently engaged in the production of gold, copper and silver at the Kainantu Gold Mine as well as exploration and development of mineral deposits in the immediate vicinity of the mine, including Blue Lake, in Papua New Guinea.

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

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

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

Basis of Presentation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policy judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty are substantially the same as those that management applied in the consolidated financial statements for the year ended December 31, 2022. These condensed interim consolidated financial statements should be read in conjunction with the Company’s most recent annual consolidated financial statements for the year ended December 31, 2022.

The Company’s accounting policies are the same as those applied in the Company’s annual consolidated financial statements for the year-ended December 31, 2022.

4. RECEIVABLES

As at	September 30, 2023	December 31, 2022
Trade receivables	\$ 3,042	\$ 15,462
GST receivable	18,875	13,474
Other	<u>525</u>	<u>321</u>
Total	<u>\$ 22,442</u>	<u>\$ 29,257</u>

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

September 30, 2023

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

(Unaudited)

4. RECEIVABLES (cont'd...)*GST receivable*

The Company has applied to offset \$6.0 million GST tax credits against current and future income taxes payable with the Internal Revenue Commission in Papua New Guinea.

5. INVENTORIES

As at	September 30, 2023	December 31, 2022
Mine supplies, consumables and fuel	\$ 27,067	\$ 20,806
Ore stockpile	3,425	4,728
Concentrate and doré	<u>7,386</u>	<u>2,976</u>
Total	<u>\$ 37,878</u>	<u>\$ 28,510</u>

During the nine months ended September 30, 2023, the cost of inventory recognized as an expense in cost of sales amounted to \$75.4 million (2022 - \$66.5 million).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	September 30, 2023	December 31, 2022
Trade payables	\$ 12,843	\$ 11,542
Other accounts payable and trade-related accruals	6,049	6,901
Employee accruals	7,652	8,593
Landowners' compensation accrual	<u>10,859</u>	<u>9,930</u>
Total	<u>\$ 37,403</u>	<u>\$ 36,966</u>

Landowners' compensation

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

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

September 30, 2023

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

(Unaudited)

7. PROPERTY, PLANT AND EQUIPMENT

	Mineral Properties	Plant and Equipment	Mobile Fleet and Vehicles	Right-of-Use Assets	Construction in Progress (Expansion) ¹	Total
Cost						
Balance, December 31, 2021	\$ 74,880	\$ 40,221	\$ 30,599	\$ 15,866	\$ 16,470	\$ 178,036
Additions	19,110	6,398	-	956	42,371	68,835
Disposals / write-downs	-	-	(1,164)	-	-	(1,164)
Reclamation – change in estimate	2,791	-	-	-	-	2,791
Transfers	-	11,337	10,464	-	(21,801)	-
Balance, December 31, 2022	96,781	57,956	39,899	16,822	37,040	248,498
Additions	16,246	2,358	8,260	233	41,487	68,584
Reclamation – changes in estimate	245	-	-	-	-	245
Transfers	-	5,901	13,028	-	(18,929)	-
Balance, September 30, 2023	\$ 113,272	\$ 66,215	\$ 61,187	\$ 17,055	\$ 59,598	\$ 317,327
Accumulated depreciation						
Balance, December 31, 2021	\$ 13,343	\$ 5,991	\$ 17,177	\$ 1,727	\$ -	\$ 38,238
Depreciation and depletion	3,136	4,467	7,856	5,434	-	20,893
Disposals / write-downs	-	-	(1,091)	-	-	(1,091)
Balance, December 31, 2022	16,479	10,458	23,942	7,161	-	58,040
Depreciation and depletion	4,212	5,044	8,517	4,006	-	21,779
Balance, September 30, 2023	\$ 20,691	\$ 15,502	\$ 32,459	\$ 11,167	\$ -	\$ 79,819
Carrying amounts						
As at December 31, 2022	\$ 80,302	\$ 47,498	\$ 15,957	\$ 9,661	\$ 37,040	\$ 190,458
As at September 30, 2023	\$ 92,581	\$ 50,713	\$ 28,728	\$ 5,888	\$ 59,598	\$ 237,508

¹ Construction in Progress at September 30, 2023 consists of \$46.4 million (2022 - \$32.1 million) in Twin Incline costs, \$3.7 million (2022 - \$Nil) in Puma Ventilation Drive costs and \$9.5 million (2022 - \$4.9 million) in other expansion costs.

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

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

(Unaudited)

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

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

8. RECLAMATION AND CLOSURE COST OBLIGATIONS

When the Company exhausts or abandons a mining property or an exploration site, it is required to undertake certain reclamation and closure procedures as a result of constructive obligations and to comply with legislative requirements established by the Government of Papua New Guinea.

As at	September 30, 2023	December 31, 2022
Balance, beginning of period	\$ 8,478	\$ 5,571
Foreign exchange movement	(350)	-
Change in estimate	245	2,791
Accretion	449	116
Balance, end of period	\$ 8,822	\$ 8,478

The provision has been measured as the present value of the estimated future rehabilitation costs using an estimated mine life of 10 years. The estimated cash flows used to measure the provision were discounted to a present value using a discount rate of 13.1% (2022 – 13.4%) and an inflation rate of 6.3% (2022 – 6.3%). The underlying costs in the provision are calculated using the Papua New Guinea Kina as the reclamation costs will be incurred in Papua New Guinea. As such, the discount and inflation rate used in the calculation reflect the economic factors for Papua New Guinea.

On an annual basis, the Company reviews the estimate of future costs of required reclamation and closure work. The current total estimate for all properties anticipates undiscounted future cash outflows to meet constructive obligations for reclamation and closure work in the amount of \$19.1 million (2022 - \$19.1 million), with first expenditures anticipated in 2032. These future cash outflows have been discounted at the interest rate considered applicable in Papua New Guinea where the Company's properties are located.

9. LEASE LIABILITIES

The Company leases assets including mining equipment and buildings. The assets associated with the lease liabilities are included as Right-of-Use assets within property, plant and equipment (Note 7). During the nine months ended September 30, 2023, the Company incurred \$0.7 million (2022 - \$1.0 million) related to interest and finance expenses on the lease liabilities.

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

September 30, 2023

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

(Unaudited)

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

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

Lease Liabilities as at	September 30, 2023	December 31, 2022
Lease liabilities, beginning of year	\$ 10,097	\$ 14,097
Additions	233	956
Payments	(4,596)	(6,193)
Interest expense	679	1,328
Adjustment on currency translation	(257)	(91)
Balance, end of period	\$ 6,156	\$ 10,097
Lease liabilities, current portion	\$ 5,531	\$ 5,324
Lease liabilities, non-current portion	\$ 625	\$ 4,773

The Company's lease liabilities at September 30, 2023 are summarized as follows:

	Within 1 Year	2-6 Years	Total
Future undiscounted lease payments	\$ 5,921	\$ 742	\$ 6,663
Future finance charges	(390)	(117)	(507)
Total discounted lease liabilities	\$ 5,531	\$ 625	\$ 6,156

10. DERIVATIVE INSTRUMENTS

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

The details of the open commodity contracts as at September 30, 2023, were as follows:

Contracts Outstanding	Quantity (ounces)	Strike Price (\$/ounce)	Settlement Term	Settlement Date
Gold call contracts – sold	5,941	\$2,021	October 2023	December 29, 2023
Gold put contracts – purchased	5,941	\$2,021	October 2023	December 29, 2023
Gold call contracts – sold	4,862	\$2,017	November 2023	January 31, 2024
Gold put contracts – purchased	4,862	\$2,017	November 2023	January 31, 2024
Gold call contracts – sold	6,664	\$2,028	December 2023	February 28, 2024
Gold put contracts – purchased	6,664	\$2,028	December 2023	February 28, 2024

K92 MINING INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023

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

(Unaudited)

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

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

For the	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Realized (losses) gains	\$ (483)	\$ 72	\$ (2,681)	\$ (886)
Unrealized gains	646	575	1,943	1,192
Net realized and unrealized gains (losses)	\$ 163	\$ 647	\$ (738)	\$ 306

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

As at	September 30, 2023	December 31, 2022
Derivative assets	\$ 196	\$ -
Derivative liabilities	\$ -	\$ (1,747)

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

11. SHARE CAPITAL AND RESERVES**Authorized share capital**

The Company's authorized share capital consists of an unlimited number of common shares without par value.

Issued share capital

As at September 30, 2023, the Company had 234,322,462 common shares issued and outstanding.

Share issuances

Except on the exercise of share options and the conversion of RSUs and PSUs, no other shares were issued during the nine months ended September 30, 2023.

Equity compensation

Until October 28, 2021, the Company had a "rolling" stock option plan (the "**Stock Option Plan**") whereby the Company was authorized to grant stock options ("**Options**") equal to up to 10% of the number of issued and outstanding common shares.

Effective October 28, 2021, the Company replaced the Stock Option Plan with a share compensation plan (the "**Share Compensation Plan**") that provides for the issuance of Options, RSUs, and PSUs. The Share Compensation Plan was amended effective June 29, 2023 (the "**Amended Plan**").

K92 MINING INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023

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

(Unaudited)

11. SHARE CAPITAL AND RESERVES (cont'd...)**Equity compensation (cont'd...)**

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

Stock options

Stock option transactions are summarized as follows:

	Number Outstanding	Weighted Average Exercise Price (CAD)
Outstanding, December 31, 2021	12,620,650	\$ 4.44
Exercised	(3,710,200)	2.87
Forfeited	<u>(104,600)</u>	<u>\$ 9.22</u>
Outstanding, December 31, 2022	8,805,850	\$ 5.06
Exercised	(755,000)	1.61
Forfeited	<u>(147,000)</u>	<u>7.84</u>
Outstanding, September 30, 2023	7,903,850	\$ 5.34
Number currently exercisable	7,903,850	\$ 5.34

The following incentive stock options were outstanding at September 30, 2023:

Range of exercise prices (in \$CAD)	Number of outstanding options	Number of options exercisable	Weighted-average exercise price (in \$CAD)	Weighted- average years to expiry
0.45 – 0.99	30,000	30,000	0.74	0.14
1.00 – 1.99	1,836,750	1,836,750	1.77	0.77
2.00 – 2.99	235,000	235,000	2.17	1.14
3.00 – 3.99	1,091,000	1,091,000	3.85	1.34
4.00 – 4.99	10,200	10,200	4.00	1.73
5.00 – 8.99	<u>4,700,900</u>	<u>4,700,900</u>	7.26	2.21
	7,903,850	7,903,850	5.34	1.72

The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, expected volatility, forfeiture rate, and expected life of the options. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant.

K92 MINING INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023

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

(Unaudited)

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

During the nine months ended September 30, 2023, the Company granted Nil stock options (2022 – Nil).

The weighted average share price on the date of options exercised for the nine months ended September 30, 2023, was CAD\$6.97 (2022 – CAD\$9.08).

During the nine months ended September 30, 2023, the Company recorded share-based payment expense of \$0.1 million (2022 – \$0.8 million) related to the vesting of options.

Restricted share units

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

During the nine months ended September 30, 2023, the Company granted 943,010 RSUs. The estimated fair value of \$4.4 million is being recognized over the vesting period.

	Number Outstanding	Fair Value
Outstanding, December 31, 2021	150,213	\$ 819
Granted	666,358	3,774
Vested and converted to common shares	(21,459)	(117)
Forfeited	<u>(13,707)</u>	<u>(70)</u>
Outstanding, December 31, 2022	781,405	\$ 4,406
Granted	943,010	4,419
Vested and converted to common shares	(75,818)	(430)
Forfeited	<u>(21,391)</u>	<u>(105)</u>
Outstanding, September 30, 2023	<u>1,627,206</u>	<u>\$ 8,290</u>

During the nine months ended September 30, 2023, the Company recorded a share-based payment expense of \$2.8 million (2022 – \$1.4 million) related to the vesting of RSUs.

Performance share units

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

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

PSUs are recorded at fair value based on a Monte Carlo pricing model at the date of grant, adjusted for an estimated forfeiture rate, and then charged to share-based compensation over the period during which the PSUs vest. For the fair value calculation of granted PSUs during the period ended September 30, 2023, the Monte Carlo pricing model used historical share price volatility of 51% to 52% (2022 – 54% to 61%), historical share price volatility of its peer group ranging from 34% to 48% (2022 – 38% to 47%) and a Canadian risk-free rate of 3.5% to 4.7% (2022 – 2.0% to 3.5%).

During the nine months ended September 30, 2023, the Company granted 1,189,509 PSUs. The estimated fair value of \$4.7 million is being recognized over the vesting period.

	Number Outstanding	Fair Value
Outstanding, December 31, 2021	-	\$ -
Granted	780,006	3,560
Forfeited	<u>(20,563)</u>	<u>(84)</u>
Outstanding, December 31, 2022	759,443	\$ 3,476
Granted	1,189,509	4,730
Vested and converted to common shares	(105,670)	(483)
Forfeited	<u>(32,091)</u>	<u>(146)</u>
Outstanding, September 30, 2023	<u>1,811,191</u>	<u>\$ 7,578</u>

During the nine months ended September 30, 2023, the Company recorded a share-based payment expense of \$2.2 million (2022 – \$1.2 million) related to the vesting of PSUs.

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11. SHARE CAPITAL AND RESERVES (cont'd...)**Earnings per share**

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

For the	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
(Loss) earnings for the period	\$ (619)	\$ 3,054	\$ 13,183	\$ 22,272
Basic weighted average number of shares outstanding	234,322,462	231,929,339	234,060,780	227,675,629
Effect of dilutive securities:				
Stock options	-	3,887,663	2,009,761	4,165,145
Restricted share units	-	494,677	1,243,704	461,365
Performance share units	-	780,006	1,402,513	553,341
Diluted weighted average number of shares outstanding	234,322,462	237,091,685	238,716,758	232,855,480
(Loss) earnings per share				
Basic	\$ (0.00)	\$ 0.01	\$ 0.06	\$ 0.10
Diluted	\$ (0.00)	\$ 0.01	\$ 0.06	\$ 0.10

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

The levels in the fair value hierarchy into which the Company's financial assets and liabilities that are measured and recognized at fair value were categorized as follows:

As at	September 30, 2023		December 31, 2022	
	Level 1	Level 2	Level 1	Level 2
Trade receivables (Note 4)	\$ -	\$ 3,042	\$ -	\$ 15,462
Derivative assets (Note 10)	-	196	-	-
Derivative liabilities (Note 10)	-	-	-	(1,747)
	\$ -	\$ 3,238	\$ -	\$ 13,715

The fair value of the Company's trade receivables, derivative assets and derivative liabilities were determined using observable market prices and market-derived inputs. There were no transfers between Level 1 and Level 2 during the period ended September 30, 2023.

As at September 30, 2023 and December 31, 2022, the carrying amounts of cash and cash equivalents, prepaids, other receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments.

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

Concentration of Credit Risk

The Company's cash and cash equivalents are held with financial institutions in Canada, Papua New Guinea, and Australia. As of September 30, 2023, a single high-credit quality financial institution in Canada holds approximately 43% of the total cash and cash equivalents. Substantially all of the Company's cash and cash equivalents exceed government-insured limits. The Company continually assesses and manages its exposure to credit risk of financial institutions.

Loan Agreement

On September 26, 2023, the Company entered into a Loan Agreement with Trafigura Pte Ltd (the "**Lender**" or the "**Offtaker**" regarding concentrate sales). Under this agreement, the Lender will provide a \$100 million senior secured loan (the "**Loan**") to the Company, with a four-year term from the date of the first advance of funds. The Loan includes an upfront fee, a commitment fee, and an interest rate with a one-year interest-only repayment grace period. It is secured by certain collateral, which comprises a charge over the Company's assets and a pledge of shares in the Company's subsidiaries (the "**Security**").

The initial drawdown of \$25.0 million under the Loan is contingent upon certain conditions precedent, including but not limited to, obtaining regulatory approvals. Subsequent drawdowns are dependent on the registration of certain items forming part of the Security. In case of an event of default under the Loan, the Lender reserves the right to accelerate repayment of the Loan, and convert all or any portion of the initial drawdown into common shares of the Company (the "**Conversion Right**"). This Conversion Right will expire upon satisfaction of having the Security registered.

As of September 30, 2023, the conditions precedent had not been satisfied; therefore, no drawdowns of the Loan were made.

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13. SEGMENTED INFORMATION

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

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

Nine months ended September 30, 2023	Kainantu Project	Corporate & Other	Total
Net earnings (loss)	\$ 20,753	\$ (7,570)	\$ 13,183
Capital expenditures	\$ 68,351	\$ 233	\$ 68,584
Three months ended September 30, 2023			
Net earnings (loss)	\$ 1,639	\$ (2,258)	\$ (619)
Capital expenditures	\$ 22,136	\$ (100)	\$ 22,036
As at September 30, 2023			
Property, plant and equipment	\$ 235,832	\$ 1,676	\$ 237,508
Total assets	\$ 313,957	\$ 74,314	\$ 388,271
Total liabilities	\$ 54,513	\$ 5,225	\$ 59,738
Nine months ended September 30, 2022	Kainantu Project	Corporate & Other	Total
Net earnings (loss)	\$ 31,446	\$ (9,174)	\$ 22,272
Capital expenditures	\$ 47,555	\$ 557	\$ 48,112
Three months ended September 30, 2022			
Net earnings (loss)	\$ 6,614	\$ (3,560)	\$ 3,054
Capital expenditures	\$ 17,231	\$ 557	\$ 17,788
As at December 31, 2022			
Property, plant and equipment	\$ 188,872	\$ 1,586	\$ 190,458
Total assets	\$ 267,104	\$ 103,611	\$ 370,715
Total liabilities	\$ 57,683	\$ 3,726	\$ 61,409

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14. REVENUE

For the	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Gold in concentrate	\$ 28,197	\$ 40,019	\$ 106,323	\$ 124,432
Copper in concentrate	4,229	4,805	15,297	14,673
Silver in concentrate	451	265	1,304	875
Gold and silver in doré	5,748	2,046	12,528	6,693
Treatment and refining charges	<u>(1,466)</u>	<u>(1,750)</u>	<u>(4,964)</u>	<u>(4,963)</u>
Revenue from contracts with customers	37,159	45,385	130,488	141,710
Loss on receivables at fair value	<u>(4,345)</u>	<u>(8,947)</u>	<u>(5,549)</u>	<u>(15,504)</u>
Total	\$ 32,814	\$ 36,438	\$ 124,939	\$ 126,206

Offtake Arrangement

On September 26, 2023, the Company's Papua New Guinea subsidiary, K92 Mining Limited, and the Offtaker revised the offtake agreement initially dated July 1, 2019, "**Amended Offtake Agreement**". According to the terms of the Amended Offtake Agreement, starting January 1, 2026, and continuing for seven consecutive calendar years or until a minimum of 600,000 dry metric tons of concentrate have been delivered, the Offtaker will purchase gold and copper concentrates produced at the Kainantu Gold Mine in Papua New Guinea at London Metals Exchange spot prices.

The Amended Offtake Agreement's implementation is contingent upon certain conditions precedent. These include, but are not limited to, the approval of its terms by the Bank of Papua New Guinea in accordance with the Central Banking (Foreign Exchange and Gold) Regulation, and the fulfillment of the conditions precedent outlined in the Loan Agreement.

As of September 30, 2023, the conditions precedent had not been satisfied.

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15. COST OF SALES

For the	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Direct mining and milling	\$ 6,354	\$ 4,308	\$ 17,455	\$ 14,644
Maintenance	3,457	4,208	10,891	11,920
Other site costs	7,167	8,308	24,331	24,204
Net smelter royalties	1,019	1,108	3,235	3,501
Change in inventories	<u>(3,704)</u>	<u>(2,737)</u>	<u>(3,107)</u>	<u>(2,783)</u>
	14,293	15,195	52,805	51,486
Non-cash costs				
Depreciation and depletion	7,422	5,237	21,314	14,130
Share-based payments	<u>798</u>	<u>352</u>	<u>1,330</u>	<u>872</u>
Total	\$ 22,513	\$ 20,784	\$ 75,449	\$ 66,488

16. GENERAL AND ADMINISTRATIVE

For the	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Management, consulting and wages	\$ 578	\$ 1,104	\$ 3,390	\$ 3,585
Professional fees	81	91	263	184
Office, filing and administrative	180	116	590	474
Travel	201	99	641	252
Investor relations	185	167	467	479
Depreciation	<u>29</u>	<u>30</u>	<u>85</u>	<u>82</u>
Total	\$ 1,254	\$ 1,607	\$ 5,436	\$ 5,056

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17. INTEREST AND FINANCE EXPENSE

For the	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Interest on lease liabilities	\$ 195	\$ 314	\$ 679	\$ 1,019
Other interest	582	453	1,781	1,177
Accretion expense	<u>148</u>	<u>29</u>	<u>449</u>	<u>87</u>
Total	<u>\$ 925</u>	<u>\$ 796</u>	<u>\$ 2,909</u>	<u>\$ 2,283</u>

18. SUBSEQUENT EVENTS

Subsequent to September 30, 2023, the Company paid a \$3.2 million income tax instalment to the Papua New Guinea government.