

# K92 COMPLETES FINANCING TO RESTART ITS KAINANTU GOLD PROJECT

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- **CDN\$10.5 million<sup>[1]</sup> financing, comprised of US\$4.8 million gold prepayment investment, and CDN\$3.5 million equity investment**
- **Cartesian Capital Group is a global private equity firm managing more than US\$2 billion**
- **K92's Kainantu Gold Project is a former operating Barrick mine in the Eastern Highlands Province of Papua New Guinea, with existing infrastructure and adjacent exploration properties.**

Otterburn Resources Corp. ("Otterburn") is pleased to announce that K92 Holdings International Limited ("K92") has entered into financing agreements with CRH Funding II Pte. Ltd. ("CRH"), an affiliate of Cartesian Royalty Holdings and Cartesian Capital Group, consisting of a gold prepayment investment and an equity investment (the "Financing"). Upon signing, K92 drew down the first tranche under the gold prepayment agreement (the "GPA").

The Kainantu Gold Project ("Kainantu") comprises a number of gold-copper deposits, including Irumafimpa and Kora. The proceeds from the Financing are expected to be used to refurbish and bring Irumafimpa back into production in 2016.

K92 purchased Kainantu from Barrick Gold Corporation (ABX: NYSE) in 2014 when Barrick initiated its divestiture program in South East Asia. Barrick originally purchased Kainantu from Highland Pacific Group in 2007 for US\$141.5 million and proceeded to invest significantly in underground mine development, drilling, regional exploration work, roadworks and camp amenities.

Ian Stalker, Chief Executive Officer of K92, stated,



"The Kainantu Gold Project is an attractive gold mine restart project with existing infrastructure in place and is coupled with almost 400sqkm of adjacent prospective exploration properties. We have now attracted a supportive financial partner to assist us in our restart. After extensive due diligence including time onsite, Cartesian has decided to move forward with K92 as we advance this very unique opportunity. The financing has been structured in a way that is less dilutive to the K92 share structure than a traditional equity investment, and involves the prepayment of gold, based on a percentage of our production from Irumafimpa."

## HIGHLIGHTS OF THE FINANCING INCLUDE:

- Under the GPA, CRH has committed to provide K92 with up to US\$4.8 million over four (4) tranches in exchange for a percentage of gold produced at Irumafimpa over a 36 month period, subject to a minimum of 18,000 ounces of gold and a maximum of 20,000 ounces of gold.
- CRH advanced K92 the first tranche of US\$962,795 under the GPA. Remaining tranches will be advanced upon K92 fulfilling certain technical milestones and other conditions, including the initiation by February 29, 2016 of the previously announced reverse take-over transaction with Otterburn (“RTO”).
- In addition to the advances under the GPA, CRH has committed to an equity investment of up to CDN\$3.5 million in K92 (or Otterburn following completion of the RTO) over two (2) tranches, pursuant to which CRH will subscribe for up to 10,000,000 units of K92 (or Otterburn) at CDN\$0.35 per unit (the “Equity Component”). Each unit will consist of:
  - one Class A Preferred Share, convertible into one ordinary share of K92 (or Otterburn). Each Class A Preferred Share will be redeemable by CRH at 1.5 times the original subscription price if K92 is unable to meet certain conditions, including the delivery requirements of gold under the GPA; and
  - one warrant entitling CRH to purchase one ordinary share of K92 (or Otterburn), exercisable at CDN\$0.75 per share for a period of two (2) years following the date of issue. A forced exercise clause will exist on these warrants if shares of K92 (or Otterburn) trade at CDN\$1.25 or greater for 10 consecutive days during the 2-year term.
- If K92 fails to meet certain requirements of the GPA, CRH may elect to receive up to 30,000 ounces of gold rather than subscribing for units under the Equity Component.
- As security for K92’s obligations under the GPA and the Class A Preferred Shares to be issued to CRH under the Equity Component, K92 has granted CRH a comprehensive general security interest in all of K92’s present and after acquired property, together with specific security granted by K92’s subsidiaries in Papua New Guinea.
- As additional consideration for the Financing, K92’s wholly owned subsidiaries in Papua New Guinea have granted CRH a 0.25% net smelter return (NSR) royalty on Kora (with a buy-back provision) and a 0.5% NSR on Irumafimpa.
- CRH will be entitled to representation on the Board of Directors of K92 (or Otterburn) so long as the GPA remains outstanding or CRH maintains at least a 5% equity ownership in K92 (or Otterburn).
- Following completion of the RTO, K92’s commitments under the Financing will become commitments of Otterburn. If CRH completes the Equity Component, it will receive no less than 15% of the total equity of Otterburn upon the RTO.

The full details of the Financing will be provided in a revised Filing Statement in connection with the RTO, which is expected to be filed by Otterburn with the TSX Venture Exchange during the first quarter of 2016.

K92 is also expected to file an updated National Instrument 43-101 compliant Technical Report for the Kainantu Gold Project in connection with the RTO. This Technical Report will not constitute a preliminary economic assessment, a pre-feasibility study or a feasibility study. K92 advises that its decision to refurbish and restart Irumafimpa is not based on a feasibility study demonstrating economic and technical viability and, as a result, there is increased uncertainty and multiple technical and economic risks that are associated with this decision. These risks include areas that are analyzed in detail in a feasibility study, such as applying economic analysis to resources and reserves, more detailed metallurgy, and a number of specialized studies in areas such as mining and recovery methods, market analyses and environmental and community impacts. Project failure may adversely impact K92's and Otterburn's (following completion of the RTO) future profitability. Additional risks will be outlined in Otterburn's Filing Statement.

## ABOUT THE K92 TEAM

In addition to an experienced board and management team led by R. Stuart (Tookie) Angus, Chairman, Ian Stalker, Chief Executive Officer, and John Lewins, Chief Operating Officer, the project has also attracted advisors familiar with this particular geological setting and the opportunity for expansion and discovery, including Alex Davidson (former Executive Vice President, Exploration and Corporate Development, Barrick Gold Corporation) and Douglas Kirwin (former Executive Vice President, Exploration, Ivanhoe Mines).

## ON BEHALF OF THE BOARD

***“Brian Lueck”***

**President & CEO**

*Completion of the Company's acquisition of K92 is subject to a number of conditions, including but not limited to, Exchange acceptance and disinterested shareholder approval. The transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.*

*Investors are cautioned that, except as disclosed in the Filing Statement or Management Information Circular to be prepared in connection with the transaction, any information released or received with respect to the reverse take-over may not be accurate or complete and should not be relied upon. Trading in the securities of Otterburn Resources Corp. should be considered highly speculative.*

*The TSX Venture Exchange has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.*

*Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION:** This news release includes certain “forward-looking statements” under applicable Canadian securities legislation. Forward-looking statements include, but are not limited to, statements with respect to: the terms and conditions of the proposed loans and equity investments by CRH in K92 Holdings International Limited, the terms and conditions of the proposed GPA and Financing; future exploration and testing; use of funds; and the business and operations of K92 or Otterburn after the proposed transactions. Specifically, there is no assurance K92 will receive the full amount of the funds under the GPA or the Financing; that K92 will be able to repay or satisfy its obligations under the GPA or Financing; that K92 will be successful in extracting any gold from its properties in Papua New Guinea; or that Otterburn will be able to complete its acquisition of K92 on the terms contemplated, or at all. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Otterburn disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

[1] The Financing includes a gold prepayment of US\$4.8 million, being approximately CDN\$7.0 million utilizing a CDN\$/US\$ exchange rate of 0.6877 as agreed between K92 and CRH.