

K92 **MINING INC.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Presented in thousands of United States Dollars)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

K92 MINING INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Presented in thousands of United States Dollars)

(Unaudited)

As at	June 30, 2024	December 31, 2023
ASSETS		
Current		
Cash and cash equivalents	\$ 71,073	\$ 72,652
Short-term treasuries	-	6,463
Receivables (Note 4)	25,461	27,849
Inventories (Note 5)	37,804	36,023
Prepayments	3,280	3,913
Other current assets (Note 6)	<u>1,063</u>	<u>597</u>
	138,681	147,497
Deposits on equipment	960	1,303
Restricted cash (Note 9)	20,003	-
Property, plant and equipment (Note 7)	<u>309,589</u>	<u>264,032</u>
	<u>\$ 469,233</u>	<u>\$ 412,832</u>
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 42,222	\$ 42,512
Current portion of lease liabilities (Note 11)	1,465	4,156
Derivative liabilities (Note 19)	<u>3,265</u>	<u>1,206</u>
	46,952	47,874
Deferred tax liabilities	8,798	4,578
Lease liabilities (Note 11)	502	604
Loan (Note 9)	38,937	-
Reclamation and closure cost obligations (Note 10)	<u>8,552</u>	<u>8,884</u>
	103,741	61,940
Equity		
Share capital (Note 12)	151,657	146,161
Contributed surplus (Note 12)	30,872	30,972
Accumulated other comprehensive loss	(257)	(257)
Retained earnings	<u>183,220</u>	<u>174,016</u>
	<u>365,492</u>	<u>350,892</u>
	<u>\$ 469,233</u>	<u>\$ 412,832</u>

Subsequent events (Note 20)

Approved and authorized by the Audit Committee on August 13, 2024:

“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 EARNINGS**

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

(Unaudited)

For the	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
REVENUE (Note 15)	\$ 47,791	\$ 51,759	\$ 107,589	\$ 92,125
COST OF SALES (Note 16)	<u>(27,742)</u>	<u>(29,198)</u>	<u>(68,631)</u>	<u>(52,936)</u>
Earnings from mine operations	20,049	22,561	38,958	39,189
EXPENSES				
General and administrative (Note 17)	\$ (2,579)	\$ (2,274)	\$ (5,846)	\$ (4,182)
Exploration and evaluation expenditures	(4,223)	(6,323)	(8,764)	(10,095)
Foreign exchange	(411)	842	(1,896)	1,155
Share-based payments	<u>(932)</u>	<u>(1,373)</u>	<u>(1,988)</u>	<u>(2,570)</u>
Earnings from operations	\$ 11,904	\$ 13,433	\$ 20,464	\$ 23,497
OTHER				
Interest and finance expense (Note 18)	(218)	(960)	(1,306)	(1,984)
Interest income	382	644	912	1,491
Gain (loss) on derivative instruments (Note 19)	<u>(2,130)</u>	<u>263</u>	<u>(3,579)</u>	<u>(901)</u>
Earnings before taxes	\$ 9,938	\$ 13,380	\$ 16,491	\$ 22,103
Income tax expense	<u>(3,801)</u>	<u>(4,587)</u>	<u>(7,287)</u>	<u>(8,301)</u>
Net earnings	<u>\$ 6,137</u>	<u>\$ 8,793</u>	<u>\$ 9,204</u>	<u>\$ 13,802</u>
Earnings per share (Note 12)				
Basic	\$ 0.03	\$ 0.04	\$ 0.04	\$ 0.06
Diluted	\$ 0.03	\$ 0.04	\$ 0.04	\$ 0.06
Weighted average number of shares outstanding (Note 12)				
Basic	236,209,162	234,469,622	235,695,807	233,927,771
Diluted	<u>240,626,251</u>	<u>238,816,396</u>	<u>239,885,818</u>	<u>238,339,666</u>

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 June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
CASH FROM OPERATING ACTIVITIES				
Net earnings for the period	\$ 6,137	\$ 8,793	\$ 9,204	\$ 13,802
Items not affecting cash:				
Unrealized foreign exchange loss (gain)	154	(1,229)	1,303	(1,238)
Interest and finance expenses	(360)	267	524	1,031
Derivative instruments (Note 19)	2,130	(263)	3,579	901
Deferred income tax	2,052	1,234	4,361	3,551
Share-based payments (Note 12)	1,292	1,561	2,711	3,023
Depreciation and depletion	7,340	7,882	17,327	13,796
Net payments for derivatives (Note 19)	(1,436)	(2,064)	(1,651)	(2,198)
Changes in non-cash working capital items:				
Inventories	(4,404)	(1,304)	(2,449)	(3,794)
Receivables	3,482	7,443	2,388	959
Income tax payable	(568)	(353)	-	1,045
Prepayments	123	42	73	525
Accounts payable and accrued liabilities	(297)	6,859	3,370	412
Net cash provided by operating activities	<u>15,645</u>	<u>28,868</u>	<u>40,740</u>	<u>31,815</u>
CASH FROM INVESTING ACTIVITIES				
Deposits for equipment	559	(938)	(605)	(2,089)
Redemption of short-term treasuries	6,569	-	6,569	-
Restricted cash (Note 9)	(20,000)	-	(20,000)	-
Acquisition of property, plant and equipment	(38,249)	(21,102)	(65,666)	(43,482)
Net cash used in investing activities	<u>(51,121)</u>	<u>(22,040)</u>	<u>(79,702)</u>	<u>(45,571)</u>
CASH FROM FINANCING ACTIVITIES				
Proceeds on exercise of stock options	2,414	339	2,685	902
Proceeds from loan (Note 9)	40,000	-	40,000	-
Loan transaction costs (Note 9)	(1,066)	-	(1,066)	-
Lease principal payments (Note 11)	(1,410)	(1,293)	(2,880)	(2,573)
Net cash (used in) provided by financing activities	<u>39,938</u>	<u>(954)</u>	<u>38,739</u>	<u>(1,671)</u>
Change in cash and cash equivalents during the period	4,462	5,874	(223)	(15,427)
Effect of foreign exchange on cash	(207)	1,036	(1,356)	1,046
Cash and cash equivalents, beginning of period	<u>66,818</u>	<u>88,647</u>	<u>72,652</u>	<u>109,938</u>
Cash and cash equivalents, end of period	<u>\$ 71,073</u>	<u>\$ 95,557</u>	<u>\$ 71,073</u>	<u>\$ 95,557</u>
Cash paid for interest	\$ (1,017)	\$ (1,409)	\$ (1,852)	\$ (2,313)
Cash received for interest income	\$ 363	\$ 644	\$ 804	\$ 1,491
Cash paid for taxes	\$ -	\$ (3,583)	\$ -	\$ (3,583)

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

K92 MINING INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' 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, 2022	233,379,896	\$ 142,066	\$ 26,643	\$ (257)	\$ 140,854	\$ 309,306
Shares issued on exercise of stock options (Note 12)	755,000	1,366	(464)	-	-	902
Shares issued on vesting of RSUs (Note 12)	75,818	375	(375)	-	-	-
Shares issued on vesting of PSUs (Note 12)	111,748	585	(585)	-	-	-
Share-based payments (Note 12)	-	-	3,023	-	-	3,023
Net earnings for the period	-	-	-	-	13,802	13,802
Balance at June 30, 2023	234,322,462	\$ 144,392	\$ 28,242	\$ (257)	\$ 154,656	\$ 327,033
Shares issued on exercise of stock options (Note 12)	455,000	1,287	(432)	-	-	855
Shares issued on vesting of RSUs (Note 12)	101,712	556	(556)	-	-	-
Shares issued on vesting of PSUs (Note 12)	-	(74)	74	-	-	-
Share-based payments (Note 12)	-	-	3,644	-	-	3,644
Net earnings for the period	-	-	-	-	19,360	19,360
Balance at December 31, 2023	234,879,174	\$ 146,161	\$ 30,972	\$ (257)	\$ 174,016	\$ 350,892
Shares issued on exercise of stock options (Note 12)	1,787,300	4,085	(1,400)	-	-	2,685
Shares issued on vesting of RSUs (Note 12)	110,943	644	(644)	-	-	-
Shares issued on vesting of PSUs (Note 12)	173,285	767	(767)	-	-	-
Share-based payments (Note 12)	-	-	2,711	-	-	2,711
Net earnings for the period	-	-	-	-	9,204	9,204
Balance at June 30, 2024	236,950,702	\$ 151,657	\$ 30,872	\$ (257)	\$ 183,220	\$ 365,492

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

K92 MINING INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2024

(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 consolidated interim financial statements have been prepared in accordance with IFRS Accounting 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 consolidated interim 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 consolidated interim financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments measured at fair value.

These condensed consolidated interim 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.

The condensed consolidated interim financial statements were approved and authorized for issue by the Audit Committee on August 13, 2024.

3. MATERIAL ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The material 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, 2023. 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, 2023.

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, 2023.

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

June 30, 2024

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

(Unaudited)

4. RECEIVABLES

As at	June 30, 2024	December 31, 2023
Trade receivables	\$ 12,544	\$ 15,030
GST receivable	12,556	12,457
Other	<u>361</u>	<u>362</u>
Total	\$ 25,461	\$ 27,849

5. INVENTORIES

As at	June 30, 2024	December 31, 2023
Mine supplies, consumables and fuel	\$ 30,043	\$ 26,980
Ore stockpile	853	3,986
Concentrate and doré	<u>6,908</u>	<u>5,057</u>
Total	\$ 37,804	\$ 36,023

During the six months ended June 30, 2024, the cost of inventory recognized as an expense in cost of sales amounted to \$68.6 million (2023 - \$52.9 million).

6. OTHER CURRENT ASSETS

As at	June 30, 2024	December 31, 2023
Derivative assets (Note 19)	\$ 130	\$ -
Income tax prepayments	<u>933</u>	<u>597</u>
Total	\$ 1,063	\$ 597

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

June 30, 2024

(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, 2022	\$ 96,781	\$ 57,956	\$ 39,899	\$ 16,822	\$ 37,040	\$ 248,498
Additions	23,655	9,698	11,658	233	64,197	109,441
Disposals and write-downs	-	(2,945)	(9,369)	-	-	(12,314)
Reclamation changes in estimate	(186)	-	-	-	-	(186)
Transfers	-	8,816	10,901	-	(19,717)	-
Balance, December 31, 2023	120,250	73,525	53,089	17,055	81,520	345,439
Additions	8,948	4,487	1,766	-	47,648	62,849
Reclamation changes in estimate	(633)	-	-	-	-	(633)
Transfers	-	8,511	5,014	-	(13,525)	-
Balance, June 30, 2024	\$ 128,565	\$ 86,523	\$ 59,869	\$ 17,055	\$ 115,643	\$ 407,655
Accumulated depreciation						
Balance, December 31, 2022	\$ 16,479	\$ 10,458	\$ 23,942	\$ 7,161	\$ -	\$ 58,040
Depreciation and depletion	6,557	10,420	10,548	5,347	-	32,872
Disposals and write-downs	-	(1,261)	(8,244)	-	-	(9,505)
Balance, December 31, 2023	23,036	19,617	26,246	12,508	-	81,407
Depreciation and depletion	2,874	4,594	6,571	2,620	-	16,659
Balance, June 30, 2024	\$ 25,910	\$ 24,211	\$ 32,817	\$ 15,128	\$ -	\$ 98,066
Carrying amounts						
As at December 31, 2023	\$ 97,214	\$ 53,908	\$ 26,843	\$ 4,547	\$ 81,520	\$ 264,032
As at June 30, 2024	\$ 102,655	\$ 62,312	\$ 27,052	\$ 1,927	\$ 115,643	\$ 309,589

¹ Construction in Progress at June 30, 2024 consists of \$51.0 million (2023 - \$49.9 million) in Twin Incline costs, \$7.4 million (2023 - \$5.3 million) in Puma Ventilation Drive costs, \$53.3 million (2023 - \$14.4 million) in Stage 3 Expansion costs, and \$3.9 million (2023 - \$11.9 million) in other expansion costs.

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

June 30, 2024

(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. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	June 30, 2024	December 31, 2023
Trade payables	\$ 12,596	\$ 13,735
Other accounts payable and trade-related accruals	6,744	8,191
Employee accruals	9,737	8,737
Landowners' compensation accrual	<u>13,145</u>	<u>11,849</u>
Total	<u>\$ 42,222</u>	<u>\$ 42,512</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.

9. LOAN

On June 19, 2024, K92 Mining Inc. and K92 Mining Limited entered into two separate credit facilities with Trafigura Pte Ltd (“**Trafigura**”), whereby each K92 company can borrow up to \$100.0 million but together only up to \$120.0 million (together the “**Loan**”), with an accordion feature (the “**Accordion Feature**”) that allows for an increase in the aggregate amount available to \$150.0 million. The Accordion Feature becomes effective by mutual agreement between the Company and Trafigura.

The Loan matures on June 19, 2028 and bears interest at the applicable reference rate based on the Secured Overnight Financing Rate (“**SOFR**”) plus a margin of 3.4%. Principal payments are due quarterly in equal instalments on March 31, June 30, September 30 and December 31 of each year beginning September 30, 2025. Interest is treated on an accrual basis, with interest payable at the end of each three-month period commencing after the withdrawal date. The Loan has been designated as a financial liability at amortized cost and is recorded net of transaction costs. Transaction costs associated with the Loan were \$1.1 million and amortized over the life of the Loan.

All conditions precedent for the advance of \$100 million under the K92 Mining Inc. credit facility (“**Canadian Credit Facility**”) were satisfied during the quarter and up to \$20 million under the K92 Mining Limited credit facility (the “**PNG Credit Facility**”) subsequent to June 30. The Canadian Credit Facility is secured by a pledge of the shares in the Company's subsidiaries and, in the event of a default, contains a conversion right into common shares of the Company. The Company drew \$40.0 million from the Canadian Credit Facility on June 26, 2024.

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

June 30, 2024

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

(Unaudited)

9. LOAN (cont'd...)

The PNG Credit Facility was subject to security of \$20 million in connection with the advance under the Canadian Credit Facility. At June 30, 2024, the Company held restricted cash of \$20.0 million, consisting of term deposits designated for security under the Canadian Credit Facility. Subsequent to June 30, 2024, the Company drew \$20.0 million from the PNG Credit Facility.

The Loan is intended for general corporate purposes, working capital, and capital expenditures.

Loan	June 30, 2024	December 31, 2023
Loan, beginning of year	\$ -	\$ -
Loan proceeds	40,000	-
Transaction costs	(1,066)	-
Principal payments	-	-
Amortization of transaction costs	3	-
Balance, end of period	\$ 38,937	\$ -
Loan, current portion	\$ -	\$ -
Loan, non-current portion	\$ 38,937	\$ -

10. 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.

	June 30, 2024	December 31, 2023
Balance, beginning of period	\$ 8,884	\$ 8,478
Change in estimate	(633)	(186)
Accretion	301	592
Balance, end of period	\$ 8,552	\$ 8,884

The provision has been measured as the present value of the estimated future rehabilitation costs using an estimated mine life of 8 years. The estimated cash-flows used to measure the provision were discounted to a present value using a discount rate of 12.5% (2023 – 12.4%) and an inflation rate of 4.4% (2023 – 4.7%). 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 \$19.0 million (2023 - \$19.6 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.

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

June 30, 2024

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

(Unaudited)

11. 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 six months ended June 30, 2024, the Company incurred \$0.2 million (2023 - \$0.5 million) related to interest and finance expenses on the lease liabilities.

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	June 30, 2024	December 31, 2023
Lease liabilities, beginning of year	\$ 4,760	\$ 10,097
Additions	-	233
Payments	(2,880)	(6,082)
Interest expense	191	829
Adjustment on currency translation	(104)	(317)
Balance, end of period	\$ 1,967	\$ 4,760
Lease liabilities, current portion	\$ 1,465	\$ 4,156
Lease liabilities, non-current portion	\$ 502	\$ 604

The Company's lease liabilities at June 30, 2024 are summarized as follows:

	Within 1 Year	2-4 Years	Total
Future undiscounted lease payments	\$ 1,552	\$ 576	\$ 2,128
Future finance charges	(87)	(74)	(161)
Total discounted lease liabilities	\$ 1,465	\$ 502	\$ 1,967

12. 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 June 30, 2024, the Company had 236,950,702 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 six months ended June 30, 2024.

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

June 30, 2024

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

(Unaudited)

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

The Company's share compensation plan (the "**Share Compensation Plan**") provides for the issuance of Options, RSUs, and PSUs. The Share Compensation Plan was amended effective June 27, 2024 (the "**Amended Plan**").

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 Amended Plan cannot exceed 6% of the issued and outstanding common shares, on a non-diluted basis, while the maximum number of common shares issuable through options cannot exceed 2.3% of the issued and outstanding common shares. For RSUs and PSUs, the total number of common shares that may be issuable cannot exceed 3.7% 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, 2022	8,805,850	\$ 5.06
Exercised	(1,210,000)	1.97
Forfeited	(267,000)	7.44
Outstanding, December 31, 2023	7,328,850	\$ 5.48
Exercised	(1,787,300)	2.05
Forfeited	(490,000)	7.28
Outstanding, June 30, 2024	5,051,550	\$ 6.52
Number currently exercisable	5,051,550	\$ 6.52

The following incentive stock options were outstanding at June 30, 2024:

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
1.00 – 1.99	196,750	196,750	1.86	0.03
3.00 – 3.99	804,000	804,000	3.84	0.59
5.00 – 8.99	4,050,800	4,050,800	7.28	1.46
	5,051,550	5,051,550	6.52	1.27

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.

During the six months ended June 30, 2024, the Company granted Nil stock options (2023 – Nil).

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

June 30, 2024

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

(Unaudited)

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

The weighted average share price on the date of options exercised for the six months ended June 30, 2024, was CAD\$7.58 (2023 – CAD\$6.97).

During the six months ended June 30, 2024, the Company recorded a share-based payment expense of \$Nil (2023 – \$Nil) related to the vesting of options.

Restricted share units

RSUs 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. 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 six months ended June 30, 2024, the Company granted 536,662 RSUs. The estimated fair value of 2.9 million is being recognized over the vesting period.

	Number Outstanding	Fair Value
Outstanding, December 31, 2022	781,405	\$ 4,390
Granted	1,243,010	5,981
Vested and converted to common shares	(177,530)	(931)
Forfeited	<u>(160,232)</u>	<u>(905)</u>
Outstanding, December 31, 2023	1,686,653	\$ 8,535
Granted	536,662	2,867
Vested and converted to common shares	(110,943)	(644)
Forfeited	<u>(73,886)</u>	<u>(342)</u>
Outstanding, June 30, 2024	<u>2,038,486</u>	<u>\$ 10,416</u>

During the six months ended June 30, 2024, the Company recorded a share-based payment expense of \$1.3 million (2023 – \$1.5 million) related to the vesting of RSUs.

In 2023, the Kainantu Employee Trust Ltd. (the "Trust") was established with the purpose of managing RSUs for beneficiary employees of the Company. This Trust allows for the receipt of RSUs, facilitates the sale of these shares once they have vested and converted into common shares, and manages the distribution of the resulting proceeds to the beneficiary employees. As of June 30, 2024, the Trust held 225,000 RSUs on behalf of these employees.

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12. SHARE CAPITAL AND RESERVES (cont'd...)**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.

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 June 30, 2024, the Monte Carlo pricing model used historical share price volatility of 49% (2023 – 51%), historical share price volatility of its peer group ranging from 32% to 39% (2023 – 40% to 48%) and a Canadian risk-free rate of 4.2% (2023 – 3.5%).

During the six months ended June 30, 2024, the Company granted 804,976 PSUs. The estimated fair value of \$3.6 million is being recognized over the vesting period.

	Number Outstanding	Fair Value
Outstanding, December 31, 2022	759,443	\$ 3,451
Granted	1,189,509	5,024
Vested and converted to common shares	(105,670)	(511)
Forfeited	<u>(202,753)</u>	<u>(937)</u>
Outstanding, December 31, 2023	1,640,529	\$ 7,027
Granted	804,976	3,554
Vested and converted to common shares	(158,369)	(767)
Forfeited	<u>(99,055)</u>	<u>(373)</u>
Outstanding, June 30, 2024	<u>2,188,081</u>	<u>\$ 9,441</u>

During the six months ended June 30, 2024, the Company recorded a share-based payment expense of \$1.4 million (2023 – \$1.5 million) related to the vesting of PSUs.

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12. 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 June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Earnings for the period	\$ 6,137	\$ 8,793	\$ 9,204	\$ 13,802
Basic weighted average number of shares outstanding	236,209,162	234,469,622	235,695,807	233,927,771
Effect of dilutive securities:				
Stock options	818,792	1,957,203	793,712	2,180,042
Restricted share units	1,774,228	1,111,395	1,572,230	1,048,308
Performance share units	1,824,069	1,278,176	1,824,069	1,183,545
Diluted weighted average number of shares outstanding	240,626,251	238,816,396	239,885,818	238,339,666
Earnings per share				
Basic	\$ 0.03	\$ 0.04	\$ 0.04	\$ 0.06
Diluted	\$ 0.03	\$ 0.04	\$ 0.04	\$ 0.06

13. 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 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	June 30, 2024		December 31, 2023	
	Level 1	Level 2	Level 1	Level 2
Trade receivables (Note 4)	\$ -	\$ 12,544	\$ -	\$ 15,030
Derivative liabilities (Note 19)	-	(3,265)	-	(1,206)
	\$ -	\$ 9,279	\$ -	\$ 13,824

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

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 June 30, 2024.

As at June 30, 2024 and December 31, 2023, the carrying amounts of cash and cash equivalents, restricted cash, short-term treasuries, 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 June 30, 2024, a single high-credit quality financial institution in Canada holds approximately 53% 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.

14. 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.

Six months ended June 30, 2024	Kainantu Project	Corporate & Other	Total
Net earnings (loss)	\$ 17,326	\$ (8,122)	\$ 9,204
Capital expenditures	\$ 62,790	\$ 59	\$ 62,849
Three months ended June 30, 2024			
Net earnings (loss)	\$ 9,383	\$ (3,246)	\$ 6,137
Capital expenditures	\$ 37,681	\$ 59	\$ 37,740
As at June 30, 2024			
Property, plant and equipment	\$ 308,786	\$ 803	\$ 309,589
Total assets	\$ 392,247	\$ 76,986	\$ 469,233
Total liabilities	\$ 57,442	\$ 46,299	\$ 103,741

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14. SEGMENTED INFORMATION (cont'd...)

Six months ended June, 2023	Kainantu Project	Corporate & Other	Total
Net earnings (loss)	\$ 19,114	\$ (5,312)	\$ 13,802
Capital expenditures	\$ 46,215	\$ 333	\$ 46,548
Three months ended June 30, 2023			
Net earnings (loss)	\$ 10,779	\$ (1,986)	\$ 8,793
Capital expenditures	\$ 22,163	\$ 333	\$ 22,496
As at December 31, 2023			
Property, plant and equipment	\$ 262,915	\$ 1,117	\$ 264,032
Total assets	\$ 345,791	\$ 67,041	\$ 412,832
Total liabilities	\$ 58,090	\$ 3,850	\$ 61,940

15. REVENUE

For the	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Gold in concentrate	\$ 40,203	\$ 48,408	\$ 85,728	\$ 78,126
Copper in concentrate	3,538	5,598	9,045	11,068
Silver in concentrate	281	494	865	853
Gold and silver in doré	2,626	4,716	13,554	6,780
Treatment, refining charges and other	(1,233)	(1,905)	(3,109)	(3,498)
Revenue from contracts with customers	45,415	57,311	106,083	93,329
Gain (Loss) on receivables at fair value	2,376	(5,552)	1,506	(1,204)
Total	\$ 47,791	\$ 51,759	\$ 107,589	\$ 92,125

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16. COST OF SALES

For the	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Direct mining and milling ²	\$ 7,843	\$ 7,609	\$ 16,505	\$ 14,473
Maintenance ²	3,405	2,173	7,208	4,062
Other site costs	12,291	9,674	24,478	17,164
Net smelter royalties	1,227	1,335	2,834	2,216
Change in inventories	<u>(5,333)</u>	<u>992</u>	<u>1,282</u>	<u>597</u>
	19,433	21,783	52,307	38,512
Non-cash costs				
Depreciation and depletion	8,005	7,148	15,487	13,892
Share-based payments	<u>304</u>	<u>267</u>	<u>837</u>	<u>532</u>
Total	\$ 27,742	\$ 29,198	\$ 68,631	\$ 52,936

17. GENERAL AND ADMINISTRATIVE

For the	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Management, consulting and wages	\$ 1,948	\$ 1,679	\$ 4,389	\$ 2,812
Professional fees	105	93	196	182
Office, filing and administrative	245	117	525	410
Travel	141	226	377	440
Investor relations	95	131	270	282
Depreciation	<u>45</u>	<u>28</u>	<u>89</u>	<u>56</u>
Total	\$ 2,579	\$ 2,274	\$ 5,846	\$ 4,182

² Maintenance costs associated with mining and milling operations for the period ending June 30, 2024, have been reclassified as mining and milling costs. Amounts from previous periods have been similarly reclassified to ensure consistency with the current year's presentation. This reclassification does not impact the total cost of sales

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18. INTEREST AND FINANCE EXPENSE

For the	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Interest expense	\$ 69	\$ 810	\$ 1,005	\$ 1,683
Accretion of reclamation and closure cost obligations	149	150	301	301
Total	\$ 218	\$ 960	\$ 1,306	\$ 1,984

19. 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 June 30, 2024, were as follows:

Contracts Outstanding	Quantity (ounces)	Strike Price (\$/ounce)	Settlement Term	Settlement Date
Gold call contracts – sold	4,128	\$2,416	July 2024	September 30, 2024
Gold put contracts – purchased	4,128	\$2,216	July 2024	September 30, 2024
Gold call contracts – sold	11,425	\$2,474	August 2024	October 31, 2024
Gold put contracts – purchased	11,425	\$2,274	August 2024	October 31, 2024
Gold call contracts – sold	2,960	\$2,414	September 2024	November 29, 2024
Gold put contracts – purchased	2,960	\$2,214	September 2024	November 29, 2024
Gold call contracts – sold	2,390	\$2,432	October 2024	December 31, 2024
Gold put contracts – purchased	2,390	\$2,232	October 2024	December 31, 2024

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

For the	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Realized losses	\$ (1,436)	\$ (2,064)	\$ (1,651)	\$ (2,198)
Unrealized gains (losses)	(694)	2,327	(1,928)	1,297
Net realized and unrealized gains (losses)	\$ (2,130)	\$ 263	\$ (3,579)	\$ (901)

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

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

As at	June 30, 2024	December 31, 2023
Derivative assets	\$ 130	\$ -
Derivative liabilities	\$ (3,265)	\$ (1,206)

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

20. SUBSEQUENT EVENTS

Subsequent to June 30, 2024, the Company made a \$7.7 million income tax installment to the Papua New Guinea government.