



(“K92” or “the Company”)

**FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Introduction

This Management's Discussion and Analysis (“**MD&A**”) of K92 Mining Inc. (including its wholly owned subsidiaries, K92 Holdings International Limited (incorporated in British Virgin Islands), K92 Mining (Australia) Pty Ltd. (incorporated in Australia), and K92 Mining Ltd. (incorporated in Papua New Guinea)) is the responsibility of management and covers the year ended December 31, 2017. The MD&A takes into account information available up to and including April 25, 2018 and should be read together with the audited consolidated financial statements for the year ended December 31, 2017, which are available on the SEDAR website at www.sedar.com.

Throughout this document the terms *we*, *us*, *our*, *the Company* and *K92* refer to K92 Mining Inc. All financial information in this document is derived from the financial statements of the Company, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and is presented in United States dollars, unless otherwise indicated.

Additional information related to the Company is available for view on SEDAR and on the Company's website at www.k92mining.com.

This document contains forward-looking statements. Please refer to “Note Regarding Forward-Looking Statements.”

Description of Business

K92 Mining Inc. (formerly Otterburn Resources Corp.) (the “**Company**”) was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on March 22, 2010. The Company’s shares are listed on Tier 1 of the TSX Venture Exchange (“**TSX-V**”) under the symbol KNT. The Company is currently engaged in the exploration and development of mineral deposits in Papua New Guinea, specifically the Kainantu Gold Mine that includes the Irumafimpa and Kora deposits.

Performance Summary and Subsequent Events

During the three-month period ended December 31, 2017, the Company:

- Granted 3,220,000 stock options to employees, officers, and directors exercisable at CAD\$0.65 that vest over 12 months; and
- Sold gold concentrate for \$2,260,278, subject to final review of material.

Subsequent to December 31, 2017, the Company:

- Effective February 1, 2018, the Company achieved and declared commercial production at its Kainantu gold mine in Papua New Guinea.

The Company defined commercial production as having commenced stope production underground, achieving a minimum of 60% of the designed gold production and a minimum of 90% of designed metal recovery from the process plant over a thirty-day period. These metrics were met during the month of January and the Company expects them to be maintained going forward.

- Completed a private placement by issuing 14,444,500 units at a price of CAD\$0.45 per unit for gross proceeds of CAD\$6,500,025. Each unit consisted of one common share and one-half of one common share purchase warrant, with each full warrant entitling the holder to purchase one common share at a price of CAD\$0.65 for 18 months from closing;
- Sold gold concentrate for proceeds of \$14,838,618 through the date of this MD&A;
- Granted 700,000 stock options to employees, officers, and directors exercisable at CAD\$0.61 that vest over 12 months; and
- Contracted Mincore Pty. Ltd. to install a gold gravity recovery circuit into the process plant at the Kainantu gold mine.

Previous testwork carried out on samples from the Kora deposit indicated that up to 65% of the gold could be recovered by gravity concentration. These results were supported by continuing plant scale test work carried out by the Company on Kora North material currently being treated through the process plant. The gravity circuit will comprise of centrifugal concentrators and a gold room containing a shaking table with an induction furnace for the production of gold dore bars.

The cost of the gravity circuit is expected to be \$1,000,000 and the installation of the gravity circuit is expected to improve gold recovery by between 2% and 5%. It is also expected to increase the payment terms for the gold produced in dore form by approximately 3% to 4%, giving a net increase in gold revenue of at least 4%.

Community Relations

In August 2017, the newly formed Bilimoia Interim Landholders Association (“**BILA**”), which represents one of the landholder groups in the region, alleged that its landholders had not had an adequate share of employment and contractor opportunities. This was been refuted by K92, and the Company has sought to engage with BILA through the auspices of the Mineral Resources Authority (MRA), the government body responsible for all aspects of the mining industry, including community relations.

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

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

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

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

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

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

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

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

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

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

Change in year-end

During the four months ended December 31, 2016, the Company approved a change in its year-end from August 31 to December 31. The Company's transition period was the four months ended December 31, 2016. The comparative period for the year ended December 31, 2017 is the four month period ended December 31, 2016 and the year ended August 31, 2016. The new financial year aligns the Company with its peers and the statutory requirements of Papua New Guinea.

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 has started the new Kora mine project in Papua New Guinea. The Company declared commercial production effective February 1, 2018 and expects to ramp up gold production in 2018.

Mineral Property Summary

The Company achieved and declared commercial production, effective February 1, 2018, at its Kainantu gold mine in Papua New Guinea.

Production for the month of January, 2018, exceeded 2,700 ounces gold equivalent (2,500 ounces gold). At this level of production, based on the budgeted monthly operating costs, total cash costs for the month of January are expected to be below \$850 per ounce gold equivalent.

The Company defined commercial production as having commenced stope production underground, achieving a minimum of 60% of designed gold production and a minimum of 90% of designed metal recovery from the process plant over a 30-day period. These metrics were met during the month of January and the Company expects them to be maintained going forward and has therefore declared commercial production, effective February 1, 2018.

During the three months ended March 31, 2018, the Company produced 9,324 ounces of gold, 165,976 pounds of copper and 2,752 ounces of silver or 9,729 gold-equivalent ounces (based on a gold price \$1,300 per ounce; silver \$16.50 per ounce; and copper \$2.90 per pound).

Kainantu Gold Mine – Irumafimpa Deposit

The Company holds the mining rights to Mining Lease 150 (“**ML 150**”) until June 13, 2024. See technical report filed on www.sedar.com, and our website, “Amended and restated technical report (NI 43-101)” filed March 2, 2017.

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

Kainantu Gold Mine – Kora Deposit

During year ended December 31, 2017, the Company shipped concentrate from Kora production to the Port of Lae, with the provisional payment (90% of total value of shipment) received by K92.

The Company's mining operations focused on the newly identified northern Kora North, comprising development and cut and fill stope mining from the K1 and K2 veins over a combined strike length of approximately 550 metres.

The blend of K1 and K2 material provided an average grade treated through the process plant for three months ended March 31, 2018 of 16.95 grams per tonne gold and 0.44% copper. Recoveries for the three months averaged 91.7% for gold and 91.5% for copper.

Grade control drilling from the first drill cuddy, DDC1, was completed during the three months, while grade control drilling from the second drill cuddy, DDC2, located 125 metres to the south, commenced during the three months. In March, 2018, exploration drilling from DDC2 was commenced and high-grade results from the first exploration hole were reported. An initial resource was estimated using the results from the first two drill cuddies and is summarized in the table below. The third drill cuddy, DDC3, was completed during the three months and grade control drilling from this cuddy commenced in early April, 2018.

Kora North Mineral Resources effective February 1, 2018:

| Category | Tonnes | Gold g/t | Silver Oz g/t | Copper Oz | % | 000s lb | AuEq g/t | Oz | |
|----------------|---------|-------------|------------------|--------------|---------|---------|-------------|------|--------|
| Measured | 33,200 | 10.3 | 10,900 | 31 | 33,300 | 1.2 | 890 | 12.5 | 13,300 |
| Indicated | 103,500 | 12.7 | 42,200 | 30 | 99,800 | 1.3 | 3,020 | 15.1 | 50,300 |
| Total M&I | 136,700 | 12.1 | 53,100 | 30 | 133,100 | 1.3 | 3,910 | 14.5 | 63,700 |
| Total inferred | 183,500 | 14.4 | 85,000 | 27 | 159,300 | 0.9 | 3,640 | 16.1 | 95,000 |

Exploration

The Company commenced an initial underground exploration drilling program in early 2018. This program is targeting an area immediately up dip, down dip and along strike from the initial Kora North resource reported above. The results from the first drill hole in this program, which was reported in March, are summarised below.

Significant intercepts from Kora Exploration Hole KMDD0087

| Hole ID | From (m) | To (m) | Interval (m) | True width (m) | Au g/t | Ag g/t | Copper % | AuEq |
|-----------|----------|--------|--------------|----------------|--------|--------|----------|--------|
| KMDD0087 | 46.50 | 49.35 | 2.85 | 1.56 | 53.39 | 3 | 0.13 | 53.63 |
| Including | 46.50 | 47.60 | 1.10 | 0.60 | 135.50 | 7 | 0.18 | 135.87 |
| Including | 47.60 | 48.90 | 1.30 | 0.71 | 1.74 | 1 | 0.12 | 1.93 |
| Including | 48.90 | 49.35 | 0.45 | 0.25 | 1.86 | 2 | 0.04 | 1.95 |
| KMDD0087 | 51.06 | 52.00 | 0.94 | 0.52 | 30.49 | 2 | 0.07 | 30.63 |
| Including | 51.06 | 51.80 | 0.74 | 0.41 | 37.88 | 2 | 0.09 | 38.04 |
| Including | 51.80 | 52.00 | 0.20 | 0.11 | 3.16 | 1 | 0.01 | 3.19 |
| KMDD0087 | 81.30 | 85.00 | 3.70 | 2.45 | 6.94 | 13 | 0.56 | 7.97 |
| Including | 81.30 | 82.55 | 1.25 | 0.83 | 2.56 | 8 | 0.50 | 3.43 |
| Including | 82.55 | 83.00 | 0.45 | 0.30 | 5.56 | 4 | 0.31 | 6.08 |
| Including | 83.00 | 83.50 | 0.50 | 0.33 | 0.22 | 1 | 0.22 | 0.58 |
| Including | 83.50 | 84.00 | 0.50 | 0.33 | 9.88 | 4 | 0.51 | 10.72 |
| Including | 84.00 | 84.30 | 0.30 | 0.20 | 3.14 | 3 | 0.37 | 3.75 |
| Including | 84.30 | 85.00 | 0.70 | 0.46 | 19.97 | 48 | 1.20 | 22.42 |
| KMDD0087 | 89.10 | 92.80 | 3.70 | 2.45 | 10.79 | 25 | 2.83 | 15.44 |
| Including | 89.10 | 90.20 | 1.10 | 0.73 | 10.79 | 25 | 2.83 | 15.44 |
| Including | 90.20 | 91.50 | 1.30 | 0.86 | 0.14 | 2 | 0.38 | 0.74 |
| Including | 91.50 | 92.60 | 1.10 | 0.73 | 0.11 | 1 | 0.03 | 0.17 |
| Including | 92.60 | 92.80 | 0.20 | 0.13 | 1.88 | 20 | 2.54 | 6.03 |

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

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

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

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

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

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

K92 mine geology manager and mine exploration manager, Andrew Kohler, PGeo, 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. Data verification by Mr. Kohler includes significant time onsite reviewing drill core, face sampling, underground workings, and discussing work programs and results with geology and mining personnel.

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.

| | Year ended December 31, 2017 | Four months ended December 31, 2016 | Year ended August 31, 2016 |
|----------------------------------|---------------------------------|--|-------------------------------|
| Net loss | \$ 12,069,037 | \$ 4,094,104 | \$ 15,372,429 |
| Basic and diluted loss per share | 0.08 | 0.04 | 0.26 |
| Total assets | 42,036,745 | 24,873,985 | 21,883,284 |
| Working capital (deficiency) | (10,096,135) | (4,928,922) | 2,308,701 |
| Total long-term liabilities | 6,129,132 | 5,152,919 | 7,857,974 |
| Cash dividends | - | - | - |

Results of Operations for the year ended December 31, 2017

During the year ended December 31, 2017, the Company incurred a loss of \$12,069,037. The Company compared its year-end results to the year-ended August 31, 2016, the last full year of results prior to the change in year end. The loss for the year ended August 31, 2016 was \$15,372,429. Significant items making up the loss, and changes from prior periods, are as follows:

A decrease of mine site administration expense to \$Nil (August 31, 2016 - \$5,304,274). Effective December 1, 2016 the Company began capitalizing Mine Development costs to Property, plant and equipment, as the accounting criteria for capitalization had been met.

An decrease of consulting and administrative of \$233,510 to \$2,749,799 (August 31, 2016 – \$2,983,309). There was a decrease despite a \$469,873 a payment for payroll taxes on expatriate withholdings in Papua New Guinea, primarily as a result cost cutting at the corporate level.

Fair value loss on gold purchase agreement of \$2,568,049 (August 31, 2016 – \$4,450,575). This relates in the fair value adjustment to the CRH gold prepayment using year end assumptions for the estimated present value of the gold to be repaid. The key changes in assumptions included an increase in future gold price per ounce estimate and discount rate.

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

Amortization of deferred loss of \$2,677,637 (August 31, 2016 - \$Nil). The difference of cash received and the initial fair value of the gold prepayment liability of \$15,534,971 was originally recorded as a deferred loss and is being recognized over the units of production. This amount represents the amortization of the deferred loss when the Company transferred 3,675 gold ounce credits to CRH.

Summary of Quarterly Results

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

| | December 31, 2017 | September 30, 2017 | June 30, 2017 | March 31, 2017 |
|----------------------------------|----------------------|-----------------------|------------------|----------------------|
| Total assets | \$ 42,036,745 | \$ 38,435,952 | \$ 43,550,079 | \$ 29,282,274 |
| Working capital (deficiency) | (10,096,135) | (6,073,021) | (2,718,358) | (8,250,402) |
| Shareholders equity (deficiency) | 21,341,573 | 21,149,915 | 23,927,750 | 12,043,130 |
| Net income (loss) | (1,906,371) | (3,489,632) | (1,035,441) | (5,637,593) |
| Net income (loss) per share | (0.01) | (0.02) | (0.01) | (0.04) |
| | 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) |

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

The increase in net loss for the quarters ended September 30, 2017 and March 31, 2017 mainly relate to the changes in fair value on the gold purchase agreement and amortization of deferred loss.

Results of Operations for the three month period ended December 31, 2017

During the three month period ended December 31, 2017, the Company incurred a loss of \$1,906,371 as compared to a loss of \$4,094,104 for the four month period ended December 31, 2016. Significant items making up the loss, and changes from prior periods, are as follows:

A decrease of mine site administration expense to \$Nil (four months ended December 31, 2016 - \$4,257,903). Effective December 1, 2016 the Company began capitalizing Mine Development costs to Property, plant and equipment, as the accounting criteria for capitalization had been met.

An increase of consulting and administrative of \$185,035 to \$1,009,667 (four months ended December 31, 2016 – \$824,632) primarily as a result of the \$469,873 penalty the Company accrued related to late payment and filing of expatriate payroll taxes in Papua New Guinea.

Liquidity

As at December 31, 2017, the Company had a working capital deficit of \$10,096,135 (December 31, 2016 – \$4,928,922). This balance included a cash balance of \$1,159,538 (December 31, 2016 - \$4,291,697) to settle current liabilities of \$14,566,040 (December 31, 2016 - \$10,532,282). Subsequent to December 31, 2017, from January 1, 2018 through to the date of the MD&A, the Company sold gold concentrate for proceeds of \$14,838,618 and also raised CAD\$6,500,025 through the issuance of 14,444,500 units in a private placement.

The Company declared commercial production at the Kainantu mine effective February 1, 2018. During the year ended December 31, 2017 the Company began pre-production activities and sold gold concentrate produced during the year totaling \$5,560,367.

Operating Activities: During the year ended December 31, 2017, the Company did not generate cash from operating activities. Net cash used by the Company for operating activities, for the year ended December 31, 2017 was \$7,834,432 compared to \$12,282,588 for the year ended August 31, 2016.

Investing Activities: During the year ended December 31, 2017, the Company purchased \$16,976,028 in property, plant, and equipment including \$235,487 in lease payments and collected \$5,007,381 from its pre-production gold sales.

Financing Activities: During the year ended December 31, 2017 financing included the issuance of capital stock for \$19,864,463. In addition, the Company had warrants (\$2,744,662) and stock options (\$31,167) exercised and purchased 3,675 gold credits for \$4,594,770 that was transferred to CRH as per the GPA and incurred share issuance costs of \$941,434.

The annual 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 achieve profitable operations. There can be no assurance that adequate additional financing will be available at terms acceptable to the Company or at all, which may cast significant doubt on the Company's ability to continue as a going concern.

The Company intends to use funds generated from operations for ongoing operating and capital expenditures.

Related Party Transactions

Key management compensation consists of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and the Board of Directors.

During the year ended December 31, 2017, the Company paid or accrued:

- a) Consulting fees of \$243,920 (four-month period ended December 31, 2016 - \$96,000) to a director and former CEO of the Company, \$100,800 (four-month period ended December 31, 2016 - \$33,600) to the CFO of the Company, \$356,139 (four month period ended December 31, 2016 - \$87,600) to the CEO, director, and former COO of the Company, \$75,000 (four-month period ended December 31, 2016 - \$25,000) to the Chairman of the Board, and \$216,000 (four-month period ended December 31, 2016 - \$72,000) to the president of the Company. The Company also paid professional fees of \$19,406 (four-month period ended December 31, 2016 - \$5,958) to a Company related to the CFO.
- b) Share-based compensation of \$874,778 (four-month period ended December 31, 2016 - \$596,742) to the officers and directors of the Company was recorded.

Included in accounts payable and accrued liabilities is \$44,335 (December 31, 2016 - \$4,951) due to directors, officers, and companies controlled by directors and officers of the Company that is non-interest bearing and due on demand.

Outstanding Share Data

As at the date of this report the Company had 176,191,410 common shares and 5,000,000 preferred shares issued and outstanding.

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

| Number | Exercise price (CAD) | Expiry date |
|-----------|----------------------|------------------|
| 7,092,600 | \$ 0.45 | May 20, 2021 |
| 100,000 | 1.93 | July 29, 2021 |
| 3,198,000 | 1.00 | December 5, 2021 |
| 3,220,000 | 0.65 | October 23, 2022 |
| 700,000 | 0.61 | March 9, 2023 |

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

| Number | Exercise price (CAD) | Expiry date |
|------------|----------------------|-------------------|
| 17,867,660 | 1.05 | June 27, 2018 |
| 7,222,250 | 0.65 | September 6, 2019 |

Off-Balance Sheet Arrangements

At December 31, 2017, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Proposed Transactions

Except as elsewhere disclosed in this document, there are no other proposed transactions under consideration.

Capital Resources

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

The Company will continue to seek capital. In the past the Company has raised capital in public markets by issuing common shares pursuant to private placements, through the sale of gold prepayments, through the issuance of preferred shares, and through loans payable. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

Risk Factors

K92 is engaged in mineral exploration and development activities which, by their nature, are speculative due to the high risk nature of the business and the present stage of the development of the Project. Any investment in the common shares of K92 should be considered a highly speculative investment due to the nature of the Company's business. Such risk factors could materially affect K92's future financial results and could cause actual results and events to differ materially from those described in forward looking statements and forward looking information relating to K92 or the business, property or financial results, any of which could cause investors to lose part or all of their investment in K92. For a detailed discussion of the risk factors associated with the Company please consult the risk factors section of the Company's most recent Management Information Circular filed on SEDAR at www.sedar.com.

Changes in Accounting Policies including Initial Adoption

There was no new significant accounting policies adopted during the year ended December 31, 2017.

Critical Accounting Policies and Estimates

The preparation of the condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation and judgement uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

Landowners' compensation

The Company has obligations to compensate landowners annually who are affected by the operations of the Kainantu mine. These compensations are governed by the Papua New Guinean Mining Act 1992 and land and environment compensation agreement ("CA") for ML 150 that the prior owner of the Kainantu mine entered into with the BILA 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, 2017 was \$551,469 (1.75 million Papua New Guinea Kina), which reflects expected cost.

Exploration and evaluation

The net carrying value of each mineral property is reviewed regularly for conditions that suggest impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property’s value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property’s acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

Achievement of Production Phase

Once a mine reaches the operating levels intended by management, depreciation of capitalized costs begins. Significant judgment is required to determine when certain assets of the Company’s reach this level. Management considers several factors including, completion of a reasonable period of commissioning, consistent operating results are being achieved at a pre-determined level of design capacity.

Going concern

The assessment of the Company’s ability to continue as a going concern involves critical judgement based on historical experience. Significant judgements are used in the Company’s assessment of its ability to continue as a going concern which is described in Note 1 of the consolidated financial statements.

Rehabilitation and restoration provision

The Company has obligations for the future restoration of its mining tenements. In most instances, removal of assets and restoration of surrounding area occurs many years into the future. This requires judgmental assumptions regarding removal date, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining removal cost, and asset specific discount rates to determine the present value of these cash flows.

Income tax

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Gold prepayment agreement

Judgment is required in assessing the appropriate accounting treatment of the gold prepayment agreement on the closing date and in future periods. We consider the specific terms of the agreement to determine whether we have disposed of an interest in the mineral property. This assessment considers what the counterparty is entitled to and the associated risks and rewards attributable to them over the life of the operation, including the contractual terms related to the total production over the life of the arrangement as compared to the

expected production over the life of the mine, the percentage being sold, the percentage of payable metals produced, and any guarantee relating to the upfront payment if production ceases.

For the gold prepayment agreement entered into during the year ended August 31, 2016, there is a guarantee associated with the upfront payment as we are required to make good faith commercial efforts to maximize production of gold from the mineral property. Additionally, the counterparty has the option to receive payment in cash rather than refined gold. Accordingly, we consider this arrangement a derivative liability.

The valuation of the derivative in this arrangement is an area of estimation and is determined using discounted cash flow models. These models require a variety of inputs, including, but not limited to, contractual terms, market prices, forward curve prices, mine plans and discount rates. Changes in these assumptions could affect the carrying value of derivative assets or liabilities and the amount of gains or losses recognized in other operation income (expense).

Estimated useful lives

The useful life of some of the Company's items of property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property, plant and equipment would increase the recorded operating expenses and decrease long-term assets.

Contingent Liability

The Company has determined not to record a liability related to the acquisition of Barrick (Kainantu) Limited as at this time, the Company has not determined the existence of 1,000,000 gold equivalent ounces classified as measured, indicated, probable ore resource, or a proven ore equivalent ounce of gold.

Share-based payments

Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Because the Company's warrants have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Financial Instruments and Risk Management

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

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

The fair value of cash and cash equivalents and receivables approximate their carrying value due to the short-term maturity. Fair value of accounts payable and accrued liabilities and loans payable may be less than the

carrying value for some of these instruments given going concern uncertainties described in Note 1 of the condensed consolidated interim financial statements.

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

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions.

Liquidity risk

The Company has in place a planning and budgeting process to manage its liquidity risk and ensure it has sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company had a cash and cash equivalents balance of \$1,159,538 (December 31, 2016 - \$4,291,697) to settle current liabilities of \$14,566,040 (December 31, 2016 - \$10,532,282). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company requires additional funds to settle the existing liabilities, fund exploration and development expenditures, and maintain general and administrative expenses over the coming year.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash and cash equivalents balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at December 31, 2017, the Company did not have any investments in investment-grade short-term deposit certificates. The Company's loans payable are not exposed to interest rate risk given interest rates on loans are fixed.

b) Foreign currency risk

The Company's foreign exchange risk arises from transactions denominated in other currencies. Through this, the Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables, prepayments, accounts payable and accrued liabilities and reclamation and closure costs obligations that are denominated in Australian Dollars, Papua New Guinea Kina, United States Dollar and Canadian Dollars and the CRH financing which can be elected to be repaid in United States Dollars as determined by CRH. The Company does not use derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

Note Regarding Forward-Looking Statements

Except for historical information, this MD&A may contain forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.

The factors that could cause actual results to differ materially include, but are not limited to, the following:

General economic conditions; changes in financial markets; the impact of exchange rates; political conditions and developments in countries in which the Company operates; changes in the supply, demand and pricing of the metal commodities which the Company hopes to find and successfully mine; changes in regulatory requirements impacting the Company's operations; the sufficiency of current working capital and the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties.

This list is not exhaustive and these and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements.

This MD&A contains certain forward-looking statements inclusive of, but not limited to, timing of the mine development, mill construction and ore production. Although forward-looking statements and information contained in this MD&A are based on the beliefs of K92 management, which we consider to be reasonable, as well as assumptions made by and information currently available to K92 management, there is no assurance that the forward-looking statement or information will prove to be accurate. The assumptions made include assumptions about K92's ability to move forward with the arrangements as set out in the Definitive Agreement. The forward-looking statements and information contained in this MD&A are subject to current risks, uncertainties and assumptions related to certain factors including, without limitations, obtaining all necessary approvals, feasibility of mine and plant development, exploration and development risks, expenditure and financing requirements, title matters, operating hazards, metal prices, political and economic factors, competitive factors, general economic conditions, relationships with vendors and strategic partners, governmental regulation and supervision, seasonality, technological change, industry practices, and one-time events as well as risks, uncertainties and other factors discussed in our quarterly and annual and interim management's discussion and analysis. Should any one or more of these risks or uncertainties materialize or change, or should any underlying assumptions prove incorrect, actual results and forward-looking statements and information may vary materially from those described herein. Accordingly, readers should not place undue reliance on forward-looking statements and information contained in this MD&A. We undertake no obligation to update forward-looking statements or information except as required by law.

Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources. This discussion uses the terms "measured resources" and "indicated resources". The Company advises investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves."