K92 MINING INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Presented in thousands of United States Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Independent auditor's report

To the Shareholders of K92 Mining Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of K92 Mining Inc. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of operations and comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in shareholders' equity (deficit) for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators of property, plant and equipment *Refer to note* 3 – *Significant accounting judgements, estimates and assumptions and note 8 – Property, plant and equipment to the consolidated financial statements.* The Company has $98.6 million of property, plant and equipment (PP&E) capitalized related to the Kainantu Mine as at December 31, 2020. Management assesses at each reporting period whether there is any indication that assets may be impaired. Judgment is required in assessing whether certain factors would be considered an indicator of impairment. Internal and external factors, such as a significant decline in the market value of the Company's share price; significant reductions in quantity and/or grade of the recoverable reserves; changes in metal prices, capital and operating costs; or changes in external market data that has the potential to impact discount rates, are evaluated by management in determining whether there are any indicators of impairment. We considered this a key audit matter due to (i) the significance of the PP&E balance and (ii) the significant judgment by management in their assessment of indicators of impairment, which resulted in a high degree of subjectivity in performing audit procedures related to these judgments applied by management.	Our approach to addressing the matter included the following procedures, among others: • Evaluated the reasonableness of management's assessment of impairment indicators, which included the following: – Assessed the completeness of external or internal factors that could be considered as indicators of impairment of the Company's PP&E, including consideration of evidence obtained in other areas of the audit. – Recalculated the Company's market capitalization and compared it to the Company's net assets at December 31, 2020. – Assessed the reasonableness of factors such as changes in metal prices, capital and operating costs by considering (i) the consistency of metal prices with actual spot market prices and external market forecast data and (ii) the consistency of actual capital and operating costs with previously forecasted data, and whether these factors were consistent with evidence obtained in other areas of the audit.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mark Patterson.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 26, 2021

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

As at	December 31, 2020	December 31, 2019
ASSETS		
Current		
Cash and cash equivalents	$ 51,495	$ 21,612
Receivables (Note 5)	26,056	13,064
Inventory (Note 6)	21,005	11,507
Income tax prepayment	534	-
Prepayments	1,416	1,046
	100,506	47,229
Deferred income tax assets (Note 22)	16,375	29,360
Deposits on equipment (Note 8)	82	317
Property, plant and equipment (Note 8)	98,552	78,084
	$ 215,515	$ 154,990
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 7)	$ 23,241	$ 13,403
Current portion of lease liabilities (Note 12)	1,235	390
Current portion of loan (Note 10)	4,894	8,390
Derivative liabilities (Note 14)	280	-
	29,650	22,183
Lease liabilities (Note 12)	1,310	771
Loan (Note 10)	-	4,894
Reclamation and closure cost obligations (Note 11)	3,040	2,452
	34,000	30,300
Shareholders' equity		
Share capital (Note 13)	83,523	77,087
Contributed surplus (Note 13)	20,160	12,128
Accumulated other comprehensive loss	(257)	(580)
Retained earnings	78,089	36,055
	181,515	124,690
	$ 215,515	$ 154,990

Subsequent events (Note 25)

Approved and authorized by the Board of Directors on March 26, 2021:

“Saurabh Handa” Director *“Mark Eaton”* Director

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

K92 MINING INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Presented in thousands of United States Dollars, except share and per share amounts)

For the years ended	December 31, 2020	December 31, 2019
REVENUE (Note 18)	$ 159,125	$ 101,693
COST OF SALES (Note 19)	(73,424)	(48,016)
Earnings from mine operations	85,701	53,677
EXPENSES		
General and administrative (Note 20)	$ (2,721)	$ (2,679)
Exploration and evaluation expenditures	(6,667)	(7,932)
Foreign exchange	(733)	(272)
Share-based payments	(6,413)	(2,634)
Earnings from operations	$ 69,167	$ 40,160
OTHER		
Interest and finance expense (Note 21)	(2,557)	(2,031)
Unrealized loss on derivative liabilities (Note 14)	(280)	-
Fair value loss on gold purchase agreement (Note 9)	-	(1,022)
Amortization of deferred loss (Note 9)	-	(7,484)
Other	-	(265)
Income for the year before taxes	$ 66,330	$ 29,358
Income tax (expense) recovery (Note 22)	(24,296)	3,184
Income for the year	$ 42,034	$ 32,542
Items that may be reclassified to net loss		
Other comprehensive income		
Cumulative translation adjustment	323	(280)
Comprehensive income for the year	$ 42,357	$ 32,262
Basic income per common share	$ 0.19	$ 0.16
Diluted income per common share	$ 0.19	$ 0.16
Weighted average number of common shares outstanding	215,813,030	202,236,651
Weighted average number of diluted common shares outstanding	224,080,468	209,583,083

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

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

For the years ended	December 31, 2020	December 31, 2019
CASH FROM OPERATING ACTIVITIES		
Income for the year	$ 42,034	$ 32,542
Items not affecting cash:		
Unrealized foreign exchange loss (gain)	876	(178)
Interest and finance expenses	811	428
Unrealized loss on derivative liabilities (Note 14)	280	-
Amortization of deferred loss (Note 9)	-	7,484
Fair value loss on gold purchase agreement (Note 9)	-	1,022
Deferred income tax expense (recovery)	12,305	(3,184)
Share-based payments (Note 13)	9,458	2,634
Depreciation and depletion	10,717	8,966
Changes in non-cash working capital items:		
Inventory	(6,813)	(7,709)
Receivables	(13,386)	(5,400)
CRH financing	-	(13,838)
Income tax prepayment	(534)	-
Prepayments	(370)	515
Accounts payable and accrued liabilities	9,443	3,649
Net cash provided by operating activities	64,821	26,931
CASH FROM INVESTING ACTIVITIES		
Deposits for equipment	(82)	(318)
Acquisition of mineral properties	-	(15,790)
Acquisition of property, plant and equipment	(29,829)	(28,326)
Net cash used in investing activities	(29,911)	(44,434)
CASH FROM FINANCING ACTIVITIES		
Proceeds on issuance of capital stock (Note 13)	-	15,672
Share issuance costs (Note 13)	-	(1,060)
Proceeds on exercise of warrants	-	3,083
Proceeds on exercise of stock options	4,252	2,293
Proceeds from loan (Note 10)	-	15,000
Loan transaction costs (Note 10)	-	(369)
Principal loan payments (Note 10)	(8,571)	(1,428)
Principal lease payments (Note 12)	(776)	(419)
Net cash (used in) provided by financing activities	(5,095)	32,772
Change in cash and cash equivalents during the year	29,815	15,269
Effect of foreign exchange on cash	68	137
Cash and cash equivalents, beginning of year	21,612	6,206
Cash and cash equivalents, end of year	$ 51,495	$ 21,612
Cash paid for interest	$ 2,211	$ 1,624
Cash paid for taxes	$ 7,208	$ -

Supplemental disclosure with respect to cash flows (Note 17)

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

K92 MINING INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Presented in thousands of United States Dollars, except share and per share amounts)

	Share capital						
	Number	**Amount**	**Preferred shares**	**Contributed surplus**	**Accumulated other comprehensive loss**	**Retained Earnings**	**Total**
Balance at December 31, 2018	181,451,219	$ 54,433	1,019	11,141	(299)	3,512	69,806
Conversion of preferred shares	9,503,662	1,019	(1,019)	-	-	-	-
Private placement	10,895,100	15,672	-	-	-	-	15,672
Share issuance costs, cash	-	(1,060)	-	-	-	-	(1,060)
Exercise of warrants	6,317,406	3,670	-	(587)	-	-	3,083
Exercise of stock options	4,877,300	3,353	-	(1,060)	-	-	2,293
Share-based payments (Note 13)	-	-	-	2,634	-	-	2,634
Cumulative translation adjustment	-	-	-	-	(281)	-	(281)
Income for the year	-	-	-	-	-	32,543	32,543
Balance at December 31, 2019	213,044,687	$ 77,087	$ -	$ 12,128	$ (580)	$ 36,055	$ 124,690
Exercise of stock options	6,170,410	6,436	-	(2,184)	-	-	4,252
Share-based payments (Note 13)	-	-	-	10,216	-	-	10,216
Cumulative translation adjustment	-	-	-	-	323	-	323
Income for the year	-	-	-	-	-	42,034	42,034
Balance at December 31, 2020	219,215,097	$ 83,523	$ -	$ 20,160	$ (257)	$ 78,089	$ 181,515

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

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 OTCQB under the symbol "KNTNF". The Company is currently engaged in the exploration, development and mining of mineral deposits in Papua New Guinea, specifically the Kainantu Project.

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

Basis of Presentation

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

These consolidated financial statements of the Company are presented in United States dollars, which is the functional currency of K92 Mining Ltd. and K92 Holdings International Limited ("**K92 Intl**"). The parent company, K92 Mining Inc., has a functional currency of the Canadian Dollar (CAD) and K92 Mining (Australia) Pty Ltd. has a functional currency of the Australian Dollar (AUD).

Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements requires management to make estimates about, and apply assumptions or judgment to, future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's consolidated financial statements are prepared.

a) Sources of estimation uncertainty that have a risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next twelve months:

Depreciation and depletion of property, plant and equipment

Property, plant and equipment is the largest component of the Company's assets and, as such, the depreciation of these assets has a significant effect on the Company's financial statements.

Mining plant and equipment and other capital assets are depreciated over their expected economic lives using either the units of production method or the straight-line method. Depletion of each mineral property asset is provided on the units of production basis using the total number of gold ounces in the estimated life of mine production as the depletion basis. For mineral property assets depleted over the estimated life of mine production, a change in the mineral resource would result in a change in the rate of depletion for that mineral property asset. For long-lived assets that are depreciated over the estimated life of mine, a change in the estimated life of mine would result in a change in the rate of depreciation.

2. BASIS OF PREPARATION (cont'd…)

Significant accounting judgements, estimates and assumptions (cont'd…)

Environmental rehabilitation provision

The Company has obligations for the future restoration of its mining licenses. In most instances, removal of assets and restoration of surrounding area occurs many years into the future. This requires assumptions regarding the removal date, the extent of reclamation activities required, the engineering methodology for estimating future costs, future removal technologies in determining removal cost, and a discount rate to determine the present value of the future cash outflows.

Income tax

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. The Company determines if a deferred tax asset should be recorded and if so, estimates the amount through taxable income projection models.

Mineral Resources

Mineral resource estimates are based on various assumptions relating to operating matters. These include assumptions such as, production costs, mining and processing recoveries, cut-off grades, long term commodity prices, and inflation rates. Cost estimates are based on preliminary economic assessment estimates or operating history, and estimates are prepared by appropriately qualified persons (as defined in National Instrument 43-101).

Estimated recoverable resources and estimated life of mine production are used to determine the depreciation of property, plant and equipment, as an input to the projection of future taxable profits which support assessments of deferred income tax asset recoverability and to forecast the timing of the payment of reclamation and closure cost obligations.

b) Accounting policy judgements:

Impairment indicator of property, plant and equipment

Property, plant and equipment are tested for impairment when events or changes in circumstance indicate that the carrying value may be higher than the recoverable amount. Judgement is required in assessing whether certain factors would be considered an indicator of impairment. Management evaluates both internal and external factors in determining whether there are any indicators of impairment, such as a significant decline in the market value of the Company's share price, significant reductions in the quantity and/or grade of the recoverable resources, changes in metals prices, capital and operating costs, or changes in external market data that has the potential to impact discount rates.

Determination of functional currency

The functional currencies of the Company and its subsidiaries are outlined in Note 3, Foreign Exchange. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. The determination of functional currency involves certain judgments to determine the primary economic environment. The Company reconsiders the functional currency if there are changes in events and conditions impacting the factors used in the determination of the primary economic environment.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the subsidiaries controlled by the Company. Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

The consolidated financial statements include the financial statements of the Company and its legal subsidiaries:

Company	Place of Incorporation	Effective Interest	Principal Activity
K92 Mining (Australia) Pty Ltd.	Australia	100%	Operating
K92 Holdings International Limited	British Virgin Islands	100%	Holding
K92 Mining Limited	Papua New Guinea	100%	Operating

Earnings per share

Basic earnings per share is computed by dividing net earnings available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Cash and equivalents

Cash and cash equivalents comprise cash on deposit with banks and highly liquid short-term interest-bearing investments that may be redeemed at any time or with a term to maturity at the date of purchase of 90 days or less which are subject to an insignificant risk of change in value.

Impairment

At the end of each reporting period, the Company’s assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, up to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign exchange

Functional currency

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for K92 Intl and K92 Mining Ltd. is the United States dollar, the functional currency of K92 Mining (Australia) Pty Ltd. is the Australian dollar and the functional currency of K92 Mining Inc. is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21.

Foreign currency transactions

Transactions in foreign currencies are initially recorded into the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the statement of financial position date. Nonmonetary assets and liabilities are translated at historical exchange rates, unless the item is carried at fair value, in which case it will be translated at the exchange rate in effect at the date when the fair value was determined.

Presentation currency

The Company presents its consolidated financial statements in United States dollars. Foreign exchange gains and losses arising on translation are recognized in the statement of operations except those entities with a functional currency other than the U.S. dollar, K92 Mining Inc. and K92 Mining (Australia) Pty Ltd., which are recognized as a cumulative translation adjustment in other comprehensive income.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, nor differences relating to investments in subsidiaries where the timing of reversal of the temporary difference can be controlled and it is not probable that they will reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the excess.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Provisions

Environmental rehabilitation provision

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral property assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an environmental rehabilitation obligation is recognized at its present value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows, adjusted for inflation, associated with reclamation as a liability, at a risk-free rate, when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and for changes in the estimated future cash flows. The Company recognizes environmental liabilities on a site-by-site basis when it can be reliably estimated.

Other provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

Inventory

Ore stockpile and gold concentrate are measured at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all expenditures directly attributable to mineral extraction, processing and overheads that are incurred in extracting and processing ore. Net realizable value is determined with reference to relevant market prices, less estimated costs of completion (including royalties payable).

Mine supplies, consumables and fuel inventory are valued at the lower of average cost and net realizable value. Costs include acquisition, freight and other directly attributable costs. A periodic review is undertaken to determine the extent of any provision for obsolescence.

Exploration and evaluation assets

Exploration and evaluation licenses

All direct costs related to the acquisition of mineral property interests are capitalized on a property by property basis.

Exploration and evaluation expenditures

Exploration costs, net of incidental revenues, are charged to the statement of operations in the year incurred until the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, in which case subsequent costs incurred to develop a property are capitalized into property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets (cont'd…)

Exploration and evaluation expenditures (cont'd…)

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, such as but not limited to:

- The extent to which mineral reserves or mineral resources have been identified through a feasibility study or similar level document;
- The results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study;
- The status of environmental permits, and
- The status of mining leases or permits.

In addition, commercial viability is deemed to be achieved when the Company determines that the project will provide a satisfactory return relative to its perceived risks. Mineral reserves or resources may be declared for an undeveloped mining project before its commercial viability has been fully determined.

Exploration and evaluation assets are tested for impairment immediately prior to reclassification to mineral properties.

Property, plant and equipment

The following table outlines the methods used to depreciate property, plant and equipment:

Mineral properties	Units of production
Plant and equipment	Units of production
Vehicles	Straight line 3 years
Office equipment	Straight line 3 years
Mobile fleet	Straight line 4 years
Equipment under finance lease	Straight line 4 years
Infrastructure – plant and residence camp	Straight line 9 - 13 years

Plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The costs are amortized on either a straight-line basis over the estimated useful life of the related asset or on a units of production basis based on the estimated life of mine production.

Mineral properties are carried at cost less accumulated depletion and accumulated impairment losses. The costs of acquiring and developing mineral properties or property rights, including costs associated with mine development which provide access to additional sources of mineral resources, are capitalized to the mineral property. Once the mineral property is in production, it will be depleted using the units of production method, based on the estimated life of mine production.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Revenue Recognition

Revenue associated with the sale of gold concentrate is recognized when control of the asset is transferred to the customer. Indicators of the transfer of control include a present right to payment, legal title, transferred physical possession, transfer of significant risks and rewards, and acceptance of the asset. For the Company, this occurs when gold concentrate reaches Lae, Papua New Guinea, the material is assayed, and delivered to a holding yard where it will be stored clearly marked in the name of the for the account of the buyer. Each delivery of gold concentrate to the holding yard represents a separate performance obligation.

The Company's contracts with customers provide for a provisional payment based upon provisional assays and quoted metal prices. Final settlement is based on final assays and market prices set on specified quotational periods, typically three months after vessel departure from the port of Lae, Papua New Guinea.

Revenue is recorded at the amounts estimated to be received on the date the criteria for revenue recognition are met. Adjustments are made to settlements receivable in subsequent periods based on fluctuations in market prices until the date of final metal pricing. These subsequent changes in the fair value of settlements receivable are recorded in revenue but shown separately from revenue arising from contracts with customers.

Financial instruments

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

a) Fair value through profit or loss ("**FVTPL**") – financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Changes in fair value are recognized in the consolidated statement of operations and comprehensive income (loss).

b) Amortized cost – financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as FVTPL: 1) The objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the assets contractual cash flow represents solely payments of principal and interest.

The Company's cash and cash equivalents and accounts receivables are recorded at amortized cost.

The Company's trade receivables are recorded at FVTPL. Trade receivables are amounts due from customers for the sale of gold concentrate in the ordinary course of business. Changes in the fair value of trade receivable are recorded as a separate component of revenue.

Financial liabilities

All financial liabilities are initially recorded at fair value and subsequently measured as FVTPL or at amortized cost. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial liabilities (cont'd…)

Financial liabilities measured at amortized cost are initially recognized at fair value less directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

The Company's accounts payable and loans are recorded at amortized cost.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit loss for performing assets and the lifetime expected credit loss if the credit risk on the financial assets has increased significantly since initial recognition. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the expected credit losses are reversed after the impairment was recognized.

Derivative financial instruments

The Company does not apply hedge accounting and consequently all derivatives are recorded at fair value with changes in fair value recognized in net earnings as derivative gains or losses. 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.

Leases

The Company recognizes whether a contract is, or contains, a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. As a lessee, the Company recognizes a Right-of-Use ("**ROU**") asset and a lease liability at the commencement date of the lease.

The ROU asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any payments made at or before the commencement date, plus any reclamation and closure costs, less any lease incentives received.

The ROU asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the ROU asset may be reduced due to impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Leases (cont'd…)

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit.

The Company does not recognize ROU assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these arrangements are instead recognized as an expense over the term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

New Accounting Standards Issued But Not Yet Effective

The following amendments to accounting standards have been issued but not yet effective for the year ended December 31, 2020:

- The International Accounting Standards Board (IASB) published 'Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)'. The amendment prohibits a Company from deducting from the cost of property, plant and equipment any proceeds from selling items produced while the Company is preparing the asset for its intended use. Instead, the amendment will require sales proceeds and related costs to be recognized in profit (loss). The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. This amendment is not expected to have a material impact on the Company.

- The IASB published Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. This amendment is not expected to have a material impact on the Company.

There are no other accounting standards, amendments or interpretations that are not yet effective that are expected to have an impact on the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

COVID-19 Estimation Uncertainty

Since March 2020, measures have been implemented in the countries in which the Company operates in response to the impact of the coronavirus ("**COVID-19**").

During the year, the Company initiated a COVID-19 Management Plan at the Kainantu mine site, which addresses immediate issues including occupational health, hygiene and safety, business continuity, travel, supply chain, statutory compliance, communications, testing, risk assessment and contingency planning.

In line with other mining operations in the country, the Company maintained normal operations at the Kainantu mine and associated facilities during the local state of emergency declared in March 2020 and received exemptions from the PNG Government to allow for the movement of PNG Nationals within PNG and of Expatriate workers from Australia during that period. After the Government of Papua New Guinea lifted the state of emergency, the Company experienced a significant improvement in the movement of personnel, and as a result twin incline and surface exploration activities have resumed and final commissioning of the Stage 2 Plant Expansion was completed.

Subsequent to December 31, 2020, the Company announced a number of positive COVID-19 cases identified through containment measures, contact tracing, quarantine procedures and routine testing.

The Company has on-site quarantine facilities, which were significantly expanded during the last year. Additional protocols have been activated. The Company's priority is to protect the health and well-being of its personnel and local communities.

In addition, the government of Australia announced the temporary introduction of restrictions on travel between Papua New Guinea and Australia. The restriction includes the suspicion of movement of the resource sector's expatriate fly-in fly-out work force between Papua New Guinea and Australia for a two-week period. The Company is engaging with the governments of Australia and Papua New Guinea through the Papua New Guinea Chamber of Mines and Petroleum to ensure protocols are in place that will allow the resumption of travel following the suspension period. The suspension will result in a reduction in expatriate staffing levels over the short term, but is not expected to significantly impact production, although some non-production-related activities may be impacted; and

The Kainantu mine continues to operate and the impact of COVID-19 to date has been minimal; however, if the COVID-19 situation in Papua New Guinea were to significantly deteriorate in the future, it could have an adverse impact on production, results of operations, financial position or cash flows.

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

4. ACQUISITION OF BARRICK (KAINANTU) LIMITED

Through its wholly owned subsidiary, K92 Holdings (PNG) Limited ("**K92PNG**"), on June 11, 2014, K92 Intl entered into a Share Sale Agreement with Barrick (Niugini) Limited, Mt Apex Investment Holdings Limited, and the Company, whereby K92PNG agreed to acquire all of the outstanding shares of Barrick (Niugini) Limited's wholly owned Papua New Guinea subsidiary, Barrick (Kainantu) Limited, that holds certain assets and mineral rights and interests in Papua New Guinea.

As consideration, K92PNG paid $2.0 million and upon achievement of certain milestones, a contingent payment of up to $60.0 million. On July 17, 2019, the Company entered into an amendment agreement with Barrick Gold Corporation ("**Barrick**") revising the contingent payment to a fixed payment of $12.5 million paid on August 23, 2019. The Company paid $0.3 million (AUD$0.4 million) in agent fees in connection with the amendment agreement. The contingent payment and related fees were capitalized as part of additions to Mineral Properties (Note 8).

Pursuant to the PNG Mining Act, a 2% net smelter returns royalty, and a 0.50% levy on gross mine revenues are payable.

5. RECEIVABLES

As at	December 31, 2020	December 31, 2019
Trade receivables	$ 24,920	$ 10,054
GST receivable	1,088	2,913
Other	48	97
Total	$ 26,056	$ 13,064

6. INVENTORY

As at	December 31, 2020	December 31, 2019
Mine supplies, consumables and fuel	$ 11,477	$ 6,592
Ore stockpiles	5,965	1,983
Gold concentrate	3,563	2,932
Total	$ 21,005	$ 11,507

During the year ended December 31, 2020, the cost of inventory recognized as an expense in cost of sales amounted to $73.4 million (2019 - $48.0 million).

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

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	December 31, 2020	December 31, 2019
Trade payables	$ 7,832	$ 3,259
Other accounts payable and trade related accruals	5,651	4,473
Employee accruals	4,713	2,015
Landowners' compensation	5,045	3,656
Total	$ 23,241	$ 13,403

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 Mining Lease 150 ("**ML 150**") that the prior owner of the Kainantu mine entered into with the Bilimoia Landowners Association Incorporation ("**BLA**") and certain landowners / clans listed in the agreement. The actual recipients of the compensation determined under the CA and landowners' share of sales royalty could not be paid as required under the CA until the legitimate landowners were identified by the Papua New Guinean Land Titles Commission ("**LTC**") and so compensation payments have been accrued but not paid.

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

8. PROPERTY, PLANT AND EQUIPMENT

	Mineral Properties	Plant and Equipment	Mobile Fleet and Vehicles	ROU Assets	Construction in Progress (Expansion)[1]	Total
Cost						
Balance, December 31, 2018	$ 30,688	$ 7,926	$ 6,566	$ 1,514	$ -	$ 46,694
Change in new standard at January 1, 2019	-	-	-	439	-	439
Additions	6,297	813	1,081	-	20,199	28,390
Reclamation and closure cost – change in estimate	396	-	-	-	-	396
Acquisition costs[2]	15,790	-	-	-	-	15,790
Transfers from construction in progress	-	2,827	6,981	-	(9,808)	-
Balance, December 31, 2019	53,171	11,566	14,628	1,953	10,391	91,709
Additions	7,209	3,287	-	2,200	20,019	32,715
Reclamation and closure cost – change in estimate	397	-	-	-	-	397
Transfers from construction in progress	1,236	13,958	13,401	-	(28,595)	-
Balance, December 31, 2020	$ 62,013	$ 28,811	$ 28,029	$ 4,153	$ 1,815	$ 124,821
Accumulated depreciation						
Balance, December 31, 2018	$ 1,826	$ 945	$ 1,647	$ 242	$ -	$4,660
Depreciation and depletion for the year	4,544	1,183	2,773	465	-	8,965
Balance, December 31, 2019	6,370	2,128	4,420	707	-	13,625
Depreciation and depletion for the year	4,573	1,666	5,548	857	-	12,644
Balance, December 31, 2020	$ 10,943	$ 3,794	$ 9,968	$ 1,564	$ -	$ 26,269
Carrying amounts						
As at December 31, 2019	$ 46,801	$ 9,438	$ 10,208	$ 1,246	$ 10,391	$ 78,084
As at December 31, 2020	$ 51,070	$ 25,017	$ 18,061	$ 2,589	$ 1,815	$ 98,552

[1] Construction in Progress at December 31, 2020 consists of $1.8 million of capitalized costs related to the twin incline project.
[2] Acquisition costs during the year ended December 31, 2019 consists of $12.5 million paid to Barrick (Note 4), $0.3 million in agent fees related to the amending agreement with Barrick (Note 4) and a $3.0 million payment to extinguish a Net Smelter Royalty on the Kora and Irumafimpa deposits.

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

8. PROPERTY, PLANT AND EQUIPMENT (cont'd…)

Mining Lease 150 ("ML 150")

The Company holds the mining rights to ML 150 until June 13, 2024.

9. CRH FINANCING

Gold prepayment agreement

On February 4, 2016, amended May 25, 2018, the Company 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. Upon signing, the Company drew down the first tranche under the gold prepayment agreement (the "**GPA**"), which as per the GPA must be used for project related expenditures.

Under the GPA, CRH provided the Company with $4.8 million in exchange for a percentage of gold produced at the Irumafimpa and Kora deposits over a 36-month period, subject to a minimum of 18,000 ounces of gold and a maximum of 20,000 ounces of gold.

The Company completed the deliveries of the required gold ounces during the year ended December 31, 2019 and as a result the balance of the CRH financing liability at December 31, 2020 and December 31, 2019 is $Nil:

CRH Financing Liability		December 31, 2019
CRH liability, beginning of year	$	12,816
Add:		
Fair value adjustment		1,022
Delivery of gold ounces or cash equivalent during the year		(14,169)
Interest		331
Capitalized interest		-
Balance, end of period		-
Less:		
Deferred loss, beginning of year		7,484
Amortization of deferred loss based on delivered ounces		(7,484)
		-
Balance, end of year	$	-

CRH was entitled to representation on the board of directors of the Company so long as CRH maintained at least a 5% equity ownership in the Company. As of December 31, 2020, the GPA no longer remains outstanding and CRH has less than a 5% equity ownership interest in the Company.

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

10. LOAN

On July 1, 2019, the Company and Trafigura Pte. Ltd. ("**Trafigura**") entered into a loan agreement pursuant to which Trafigura provided a $15.0 million loan (the "**Loan**") to the Company to be repaid in monthly instalments of $0.7 million over 2 years, bearing interest at 10% + 3-month LIBOR per annum. During the year ended December 31, 2020, the Company recorded $1.2 million (2019 - $0.9 million) in interest and finance expenses on the Loan.

The loan has been designated as a financial liability at amortized cost and is recorded net of transaction costs. Transaction costs are amortized over the 2-year loan life using an effective interest rate of 13.13%. Transaction costs associated with the loan were $0.4 million.

Loan		December 31, 2020		December 31, 2019
Loan, beginning of year	$	13,284	$	-
Loan proceeds, net of transaction costs		-		14,631
Principal payments		(8,571)		(1,428)
Amortization of transaction costs		181		81
Balance, end of period	$	4,894	$	13,284
Loan, current portion	$	4,894	$	8,390
Loan, non-current portion	$	-	$	4,894

Subsequent to December 31, 2020, the Company repaid $5.1 million in principal and accrued interest to Trafigura as settlement of the remaining Loan balance.

11. 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 under the terms of the legislation enacted by the Government of Papua New Guinea.

		December 31, 2020		December 31, 2019
Balance – beginning of year	$	2,452	$	1,891
Change in estimates		397		396
Accretion		191		165
Balance, end of year	$	3,040	$	2,452

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

11. RECLAMATION AND CLOSURE COST OBLIGATIONS (cont'd…)

The provision has been measured as the present value of the estimated future rehabilitation costs using an estimated mine life of 12 years. The estimated cash-flows used to measure the provision were discounted to a present value using a risk-free discount rate of 6.26% (December 31, 2019 – 7.35%).

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 required legislative standards for reclamation and closure work in the amount of $6.4 million, with first expenditures anticipated in 2030. These future cash outflows have been discounted at the risk-free interest rate considered applicable in Papua New Guinea where the Company's properties are located.

12. LEASES LIABILITIES

The Company leases many assets including mining equipment and buildings. The assets associated with the lease liabilities are included as ROU assets within property, plant and equipment (Note 8). During the year ended December 31, 2020, the Company incurred $0.2 million (2019 - $0.1 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	December 31, 2020	December 31, 2019
Lease liabilities, beginning of year	$ 1,161	$ 1,506
Additions	2,200	-
Payments	(1,003)	(493)
Amortization of discount	227	141
Adjustment on currency translation	(40)	7
Balance, end of period	$ 2,545	$ 1,161
Lease liabilities, current portion	$ 1,235	$ 390
Lease liabilities, non-current portion	$ 1,310	$ 771

The Company's undiscounted lease liabilities at December 31, 2020 are summarized as follows:

	Within 1 Year	2-3 Years	Total
Future lease payments	$ 1,451	$ 1,397	$ 2,848
Future finance charges	(216)	(87)	(303)
Total discounted lease liabilities	$ 1,235	$ 1,310	$ 2,545

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

13. 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 December 31, 2020, the Company had 219,215,097 common shares issued and outstanding.

Share issuances

Except on the exercise of share options, no shares were issued during the year ended December 31, 2020.

During the year ended December 31, 2019, the Company:

a) Issued 9,503,662 common shares of the Company upon the conversion of the 5,000,000 preferred shares by the preferred shareholders.

a) Completed a private placement by issuing 9,474,000 common shares at a price of CAD$1.90 per common share for gross proceeds of CAD$18.0 million ($13.6 million). As part of the financing, the Company issued 1,421,100 agent options to the underwriters which were then exercised providing an additional CAD$2.7 million ($2.0 million) or CAD$20.7 million ($15.7 million) in aggregate. The Company paid $1,023 thousand in cash commissions and $37 thousand in other costs related to the financing.

Stock options and warrants

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company.

Stock option and warrant transactions are summarized as follows:

	Warrants		Stock options	
	Number	Weighted Average Exercise Price (CAD)	Number	Weighted Average Exercise Price (CAD)
Outstanding, December 31, 2018	6,318,256	$ 0.65	16,384,100	$ 0.67
Granted / Issued	-	-	4,805,000	1.77
Exercised	(6,317,406)	0.65	(4,877,300)	0.63
Forfeited	-	-	(351,700)	1.01
Expired	(850)	0.65	-	-
Outstanding, December 31, 2019	-	$ -	15,960,100	$ 1.01
Granted / Issued	-	-	6,604,000	5.64
Exercised	-	-	(6,170,410)	0.92
Forfeited	-	-	(407,800)	2.50
Outstanding, December 31, 2020	-	$ -	15,985,890	$ 2.91
Number currently exercisable	-	$ -	12,477,650	$ 2.01

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

13. SHARE CAPITAL AND RESERVES (cont'd…)

Stock options outstanding

The following incentive stock options were outstanding at December 31, 2020:

Range of exercise prices (in $CAD)	Number of outstanding options	Number of options exercisable	Weighted-average exercise price (in $CAD)	Weighted-average years to expiry
0.45 – 0.99	4,705,000	4,705,000	0.59	1.26
1.00 – 1.99	4,781,750	4,781,750	1.54	2.79
2.00 – 2.99	260,000	260,000	2.16	3.88
3.00 – 3.99	1,919,140	1,199,700	3.85	4.09
4.00 – 4.99	320,000	211,200	4.00	4.48
5.00 – 9.99	4,000,000	1,320,000	6.80	4.75
	15,985,890	12,477,650	2.91	3.04

Share-based payments

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 year ended December 31, 2020, the Company granted 6,604,000 stock options (2019 – 4,805,000). The following presents the weighted average assumptions used in the valuation of stock options:

For the year ended	December 31, 2020	December 31, 2019
Weighted average exercise price (CAD$)	$ 5.64	$ 1.77
Weighted average fair value (CAD$)	$ 2.80	$ 0.84
Risk-free interest rate	0.70%	1.51%
Expected life of options	4.0 years	4.0 years
Annualized volatility	66.13%	62.96%
Dividend rate	0.00%	0.00%
Forfeiture rate	1.26%	1.29%

The weighted average share price at the time of exercise for the year ended December 31, 2020 was CAD$6.38 (2019 – CAD$1.50).

During the year ended December 31, 2020, the Company recorded stock-based compensation expense of $10.2 million (2019 – $2.6 million).

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

14. 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	At December 31, 2020		At December 31, 2019	
	Level 1	Level 2	Level 1	Level 2
Trade receivables	$ -	$ 24,920	$ -	$ 10,054
Derivative liabilities	-	(280)	-	-
	$ -	$ 24,640	$ -	$ 10,054

The fair value of the Company's trade receivables 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 year ended December 31, 2020.

As at December 31, 2020 and 2019, the carrying amounts of cash and cash equivalents, receivables, accounts payable and accrued liabilities, and the loan 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.

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, 2020, the Company had a cash and cash equivalents balance of $51.5 million (2019 - $21.6 million), operating cash-flow for the year ended December 31, 2020 of $64.8 million (2019 – $26.9 million) to settle current liabilities of $29.7 million (2019 - $22.2 million). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days and are subject to normal trade terms or are due on demand.

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

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors (cont'd…)

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.

a) Interest rate risk

The Company's financial assets that are exposed to interest rate risk consist of cash and cash equivalents balances. The Company's current policy is to invest excess cash in highly liquid short-term interest-bearing investments issued by its banking institutions. The Company's Loan with Trafigura is exposed to interest rate risk as interest payments are calculated using the 3-month LIBOR rate. Based on the loan balance of $4.9 million at December 31, 2020, for every 0.1% increase in LIBOR rates (10 basis point increase), annual net income would decrease by $5 thousand.

b) Foreign currency risk

The Company is subject to foreign currency risk on financial instruments denominated in currencies other than the United States Dollar which are held by entities with a functional currency other than the U.S. dollar. Through this, the Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables, prepayments, income tax prepayments, accounts payable and accrued liabilities and reclamation and closure costs obligations that are denominated in Australian Dollars, Papua New Guinea Kina and Canadian Dollars. 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. As these exchange rates fluctuate against the United States Dollar, the Company will experience foreign exchange gains and losses.

c) Price risk

The Company is exposed to commodity price risk from fluctuations in market prices of the commodities that the Company produces. Gold concentrate is "provisionally priced" whereby the selling price is subject to final adjustment at the end of a period normally ranging from 30 to 90 days after delivery to the customer. Revenue is recognized on provisionally priced sales based on estimates of fair value of the consideration receivable which is based upon current market prices. At each reporting date, the trade receivable is marked to market based on the estimated settlement price.

The following table outlines the trade receivables impact of a 10% change in gold commodity prices to pre-tax earnings (loss) as of December 31, 2020:

	Impact of price change on pre-tax earnings (loss)	
	10% increase	10% decrease
Trade receivables	$ 6,408	$ (6,408)

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

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors (cont'd…)

Market risk (cont'd…)

c) Price risk (cont'd…)

Commodity contracts

On November 20, 2020, the Company entered into zero-cost collar contracts whereby it began purchasing gold put option contracts and selling gold call option contracts with equal and offsetting values at the inception of each contract.

The details of the open commodity contracts as at December 31, 2020 were as follows:

Contracts Outstanding	Quantity (ounces)	Strike Price ($/ounce)	Settlement Term[3]	Settlement Date
Gold call contracts – sold	12,585	$1,959	March 2021	May 19, 2021
Gold put contracts – purchased	12,585	$1,763	March 2021	May 19, 2021

The commodity contracts have been recognized on a net basis as at December 31, 2020 with a $0.3 million liability (2019 - $Nil) on the statement of financial position. The changes in fair value of the commodity contracts are marked-to-market at the end of each reporting period resulting in a $0.3 million (2019 - $Nil) loss to net earnings for the year ended December 31, 2020.

The following table outlines the derivative liabilities impact of a 10% change in gold commodity prices to pre-tax earnings (loss) as of December 31, 2020:

	Impact of price change on pre-tax earnings (loss)	
	10% increase	10% decrease
Derivative liabilities	$ (1,569)	$ 728

15. CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the development of the Kainantu mine. Capital is comprised of the Company's shareholders' equity. 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 intends to continue to assess new resource properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

[3] The gold call and put contracts will be settled based on the monthly average of the London Bullion Market Association's PM fixing price.

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

16. 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. The Corporate & Other segment includes the Company's head office function in Canada.

Year ended December 31, 2020		Kainantu Project		Corporate & Other		Total
Net income (loss)	$	51,691	$	(9,657)	$	42,034
Capital expenditures	$	32,715	$	-	$	32,715
As at December 31, 2020						
Property, plant and equipment	$	97,258	$	1,294	$	98,552
Total assets	$	168,427	$	47,088	$	215,515
Total liabilities	$	28,193	$	5,807	$	34,000

Year ended December 31, 2019		Kainantu Project		Corporate & Other		Total
Net income (loss)	$	48,076	$	(15,534)	$	32,542
Capital expenditures	$	27,951	$	439	$	28,390
As at December 31, 2019						
Property, plant and equipment	$	76,579	$	1,505	$	78,084
Total assets	$	144,915	$	10,075	$	154,990
Total liabilities	$	15,954	$	14,346	$	30,300

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2020, the Company:

a) Paid $9.6 million of principal and accrued interest to Trafigura as repayment of the Loan (Note 10).

During the year ended December 31, 2019, the Company:

a) Paid $2.1 million of principal and accrued interest to Trafigura as repayment of the Loan (Note 10).

b) Transferred 10,272 gold credits or equivalent to CRH as part of the GPA (Note 9).

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

18. REVENUE

For the year ended	December 31, 2020	December 31, 2019
Gold in concentrate	$ 157,806	$ 100,942
Copper in concentrate	3,354	1,528
Silver in concentrate	106	43
Treatment and refining charges	(4,558)	(3,251)
Revenue from contracts with customers	156,708	99,262
Gain on receivables at fair value	2,417	2,431
Total	$ 159,125	$ 101,693

19. COST OF SALES

For the year ended	December 31, 2020	December 31, 2019
Direct mining and milling	$ 18,653	$ 12,941
Maintenance	14,120	9,514
Other site costs	25,514	17,643
Net smelter royalties	3,549	3,017
Change in inventories	(4,613)	(3,960)
	57,223	48,016
Non-cash costs		
Depreciation and depletion	12,398	8,861
Share-based payments	3,803	-
Total	$ 73,424	$ 48,016

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

20. GENERAL AND ADMINISTRATIVE

For the year ended	December 31, 2020	December 31, 2019
Management, consulting and wages	$ 1,851	$ 1,225
Professional fees	427	176
Office, filing and administrative	419	350
Recovery of accrued expenditures	(518)	-
Travel	94	359
Investor relations	345	466
Depreciation	103	103
Total	$ 2,721	$ 2,679

21. INTEREST AND FINANCE EXPENSE

For the year ended	December 31, 2020	December 31, 2019
Interest and amortization of transaction costs on loan	$ 1,160	$ 881
Other interest and finance expense	1,206	985
Accretion of reclamation and closure cost obligations[4]	191	165
Total	$ 2,557	$ 2,031

[4] Accretion has been reclassified to interest and finance expenses for the year ending December 31, 2020. The prior period accretion amounts have also been reclassified for consistency with the current year presentation. The reclassification has no effect on total reported income.

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

22. INCOME TAXES

Income tax expense (recovery)

The Company's income tax expense (recovery) is comprised of the following:

	December 31, 2020	December 31, 2019
Current income tax expense	$ 11,991	$ -
Deferred income tax expense (recovery)	12,305	(3,184)
Income tax expense (recovery)	$ 24,296	$ (3,184)

The reconciliation of the combined Canadian federal and provincial income tax rate to the income tax expense (recovery) presented in the consolidated statements of operations and comprehensive income is provided below:

	December 31, 2020	December 31, 2019
Income for the year, before taxes	$ 66,330	$ 29,358
Statutory Canadian income tax rate	27%	27%
Expected income tax	$ 17,909	$ 7,927
Permanent differences	2,586	817
Difference in tax rates of foreign jurisdictions	2,612	1,363
Benefit of recognizing previously unrecognized tax assets	-	(16,877)
Change in unrecognized deductible temporary differences	797	3,253
Foreign exchange on translation of deductible temporary differences	680	337
Other	(288)	(4)
Income tax expense (recovery)	$ 24,296	$ (3,184)

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

22. INCOME TAXES (cont'd…)

Deferred income taxes

Deferred income taxes are presented on the statement of financial position as follows:

		December 31, 2020		December 31, 2019
Deferred income tax asset	$	19,959	$	31,337
Deferred income tax liability		(3,584)		(1,977)
Net deferred income tax asset	$	16,375	$	29,360

The significant components of the Company's deferred tax assets and liabilities were as follows:

		December 31, 2020		December 31, 2019
Property, plant and equipment	$	18,296	$	24,329
Tax losses		-		5,653
Reclamation and closure cost obligations		912		736
Accounts payable and accrued liabilities		750		382
Lease liabilities		1		238
Inventory, mine supplies, consumables and fuel		(3,584)		(1,978)
Net deferred income tax asset	$	16,375	$	29,360

The change for the year in the Company's net deferred tax asset was as follows:

		December 31, 2020		December 31, 2019
Balance, beginning of the year	$	29,360	$	26,470
Movement during the year				
Tax losses recognized, net of tax losses utilized during the year		(5,567)		5,531
Property, plant and equipment		(5,403)		(1,816)
Other		(1,335)		(1,162)
Foreign exchange on translation of deductible temporary differences		(680)		337
Balance, end of the year	$	16,375	$	29,360

The Company has tax losses in Canada of approximately $44.1 million (2019 – $42.4 million) expiring in various amounts from 2036 to 2040. A deferred tax asset has not been recognized in respect of these tax losses, as it is not probable that sufficient future taxable earnings will be available in the periods when deductions from such potential assets will be realized.

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

23. RELATED PARTY TRANSACTIONS

Key management consists of the Chief Executive Officer, Chief Financial Officer, and the Board of Directors. During the below period, key management or companies they controlled compensation paid or accrued is presented in the table below:

Year ended	December 31, 2020	December 31, 2019
Share-based compensation	$ 4,841	$ 1,285
Management, consulting and wages	1,192	1,017
Professional fees	86	283

During the year ended December 31, 2020, the Company paid professional fees of $18.0 thousand (2019 - $18.0 thousand) to a Company related to the CFO for accounting services.

Included in accounts payable and accrued liabilities is $0.1 million (2019 - $3.0 thousand) due to directors, officers, and companies controlled by directors and officers of the Company that is non-interest bearing and due on demand.

24. COMMITMENTS

Off-take agreement

The Company has a concentrate off-take agreement with a third party whereby they will purchase 100% of the concentrate produced at market prices to February 11, 2028, or until 165,000 dry metric tonnes of concentrate has been delivered, at which point the third party will be entitled to 50% of the annual production to the end of the term. Under the terms of the current off-take agreement, the third party has purchased 20,429 dry metric tonnes to December 31, 2020 (December 31, 2019 – 7,170 dry metric tonnes).

25. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the Company paid $5.1 million in principal and accrued interest to Trafigura as settlement of the remaining Loan balance (Note 10).