CONSOLIDATED FINANCIAL STATEMENTS

(Presented in thousands of United States Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020;
- 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 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.

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, 2021. 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 2 – Basis of preparation – Significant accounting judgments, estimates and assumptions and note 7 – Property, plant and equipment to the consolidated financial statements.* The Company has $140 million of property, plant and equipment (PP&E) capitalized related to the Kainantu Mine as at December 31, 2021. 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 resources; changes in metal prices, capital and operating costs; or changes in external market data that have the potential to impact foreign exchange or interest rates, are evaluated by management in determining whether there are any indicators of impairment. No impairment indicators were identified by management as at December 31, 2021. 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.	Evaluated management's assessment of indicators of impairment, 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 as at December 31, 2021. • Assessed the changes in quantity and grade of the recoverable resources, metal prices, capital and operating costs and foreign exchange and interest rates by considering external market data, current and past performance of the Company and evidence obtained in other areas of the audit, as applicable.

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 28, 2022

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

As at		December 31, 2021		December 31, 2020
ASSETS				
Current				
Cash and cash equivalents	$	71,270	$	51,495
Receivables (Note 4)		23,249		26,056
Inventories (Note 5)		25,411		21,005
Income tax prepayment		-		534
Prepayments		1,470		1,416
Derivative assets (Note 11)		118		-
		121,518		100,506
Deferred income tax assets (Note 21)		9,774		16,375
Deposits on equipment		1,933		82
Property, plant and equipment (Note 7)		139,798		98,552
	$	273,023	$	215,515
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 6)	$	27,794	$	23,241
Current portion of lease liabilities (Note 10)		4,797		1,235
Current portion of loan (Note 8)		-		4,894
Derivative liabilities (Note 11)		425		280
		33,016		29,650
Lease liabilities (Note 10)		9,300		1,310
Reclamation and closure cost obligations (Note 9)		5,571		3,040
		47,887		34,000
Shareholders' equity				
Share capital (Note 12)		92,021		83,523
Contributed surplus (Note 12)		28,042		20,160
Accumulated other comprehensive loss		(257)		(257)
Retained earnings		105,330		78,089
		225,136		181,515
	$	273,023	$	215,515

Approved and authorized by the Board of Directors on March 28, 2022:

"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 year ended		December 31, 2021		December 31, 2020
REVENUE (Note 17)	$	154,326	$	159,125
COST OF SALES (Note 18)		(83,297)		(73,424)
Earnings from mine operations		71,029		85,701
EXPENSES				
General and administrative (Note 19)	$	(6,081)	$	(2,721)
Exploration and evaluation expenditures		(12,017)		(6,667)
Foreign exchange		(231)		(733)
Share-based payments		(5,182)		(6,413)
Earnings from operations	$	47,518	$	69,167
OTHER				
Interest and finance expense (Note 20)		(1,653)		(2,557)
Gain (loss) on derivative instruments (Note 11)		730		(280)
Income for the year before taxes	$	46,595	$	66,330
Income tax expense		(19,354)		(24,296)
Income for the year	$	27,241	$	42,034
Items that may be reclassified to net loss				
Other comprehensive income				
Cumulative translation adjustment		-		323
Comprehensive income for the year	$	27,241	$	42,357
Earnings per share (Note 12)				
Basic	$	0.12	$	0.19
Diluted	$	0.12	$	0.19
Weighted average number of shares outstanding (Note 12)				
Basic		221,464,618		215,813,030
Diluted		226,804,658		224,080,468

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 year ended	December 31, 2021	December 31, 2020
CASH FROM OPERATING ACTIVITIES		
Income for the year	$ 27,241	$ 42,034
Items not affecting cash:		
Unrealized foreign exchange loss	(126)	876
Interest and finance expenses	807	811
Derivative instruments (Note 11)	(730)	280
Deferred income tax	6,601	12,305
Share-based payments (Note 12)	11,056	9,458
Depreciation and depletion	13,958	10,717
Loss on disposal / write-down of equipment (Note 7)	216	-
Proceeds on derivative instruments (Note 11)	757	-
Changes in non-cash working capital items:		
Inventories	(4,331)	(6,813)
Receivables	2,296	(13,386)
Income tax prepayment, net payable	1,178	(534)
Prepayments	(54)	(370)
Accounts payable and accrued liabilities	2,347	9,443
Net cash provided by operating activities	61,216	64,821
CASH FROM INVESTING ACTIVITIES		
Deposits for equipment	(1,933)	(82)
Acquisition of property, plant and equipment	(37,879)	(29,829)
Net cash used in investing activities	(39,812)	(29,911)
CASH FROM FINANCING ACTIVITIES		
Proceeds on exercise of stock options	5,324	4,252
Principal loan payments (Note 8)	(5,000)	(8,571)
Principal lease payments (Note 10)	(2,036)	(776)
Net cash used in by financing activities	(1,712)	(5,095)
Change in cash and cash equivalents during the year	19,692	29,815
Effect of foreign exchange on cash	83	68
Cash and cash equivalents, beginning of year	51,495	21,612
Cash and cash equivalents, end of year	$ 71,270	$ 51,495
Cash paid for interest	$ 1,470	$ 2,211
Cash paid for taxes	$ 11,574	$ 7,208

Supplemental disclosure with respect to cash flows (Note 16)

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

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

	Share capital					
	Number	Amount	Contributed surplus	Accumulated other comprehensive loss	Retained Earnings	Total
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 12)	-	-	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
Exercise of stock options	5,027,640	8,498	(3,174)	-	-	5,324
Share-based payments (Note 12)	-	-	11,056	-	-	11,056
Income for the year	-	-	-	-	27,241	27,241
Balance at December 31, 2021	224,242,737	$ 92,021	$ 28,042	$ (257)	$ 105,330	$ 225,136

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 OTCQX 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 ("U.S.") dollars. Financial information for the Company and each of its subsidiaries is measured using its functional currency, being the currency of the primary economic environment in which the entity operates. Effective January 1, 2021, the functional currency for K92 Mining Inc, the parent entity and K92 Mining (Australia) Pty Ltd. changed from Canadian and Australian dollars respectively to the U.S. dollar as a result of the integration of the activities of these entities with that of the Company's U.S. dollar functional currency operating subsidiary K92 Mining Limited. The change in functional currency was accounted for on a prospective basis, with no impact of this change on prior year comparative information.

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.

2. BASIS OF PREPARATION (cont'd…)

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

Depreciation and depletion of property, plant and equipment (cont'd…)

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 on a straight-line basis, a change in the estimated life of mine would result in a change in the rate of depreciation.

Environmental rehabilitation provision

The Company has obligations for the future restoration of its mining license. 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.

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 foreign exchange or interest 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 calculated by dividing the net income for the year attributable to shareholders of the Company by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated based on the net income for the year attributable to shareholders divided by the weighted average of the common shares outstanding after adjusting for the effects of all potentially dilutive common shares. This method assumes potential common shares were converted into common shares at the beginning of the period and outstanding in the money stock options were exercised with the proceeds from such exercises used to acquire common shares at the average market price during the year. Diluted earnings per share excludes all dilutive potential common shares if their effect is anti-dilutive.

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 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 all entities is the United States dollar. The functional currency determinations were conducted through an analysis of the 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.

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 items 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 the 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 by 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 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 3 - 4 years
Infrastructure and equipment	Straight line 9 - 12 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 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 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.

Share-based payments

The Company makes share-based payments, including restricted share units ("RSUs") and options, to certain employees. The cost of share-based payments is recorded based on the estimated fair-value at the grant date and charged to earnings over the vesting period.

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, 2021:

- 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

COVID-19 Estimation Uncertainty

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. In response, the Company implemented a comprehensive COVID-19 Management Plan, which addresses issues including occupational health, hygiene and safety, business continuity, travel, supply chain, statutory compliance, communications, testing, risk assessment and contingency planning.

The Kainantu Gold Mine has continued to operate through the pandemic; however, COVID-19 has had a significant impact on site operations resulting in decreased production and an increase in costs.

4. RECEIVABLES

As at	December 31, 2021	December 31, 2020
Trade receivables	$ 16,748	$ 24,920
GST receivable	6,168	1,088
Other	333	48
Total	$ 23,249	$ 26,056

5. INVENTORIES

As at	December 31, 2021	December 31, 2020
Mine supplies, consumables and fuel	$ 17,355	$ 11,477
Ore stockpile	4,090	5,965
Concentrate and doré	3,966	3,563
Total	$ 25,411	$ 21,005

During the year ended December 31, 2021, the cost of inventory recognized as an expense in cost of sales amounted to $83.3 million (2020 - $73.4 million).

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

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	December 31, 2021	December 31, 2020
Trade payables	$ 9,808	$ 7,832
Other accounts payable and trade related accruals	4,414[1]	5,651
Employee accruals	6,027	4,713
Landowners' compensation accrual	7,545	5,045
Total	$ 27,794	$ 23,241

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.

[1] Other accounts payable and trade related accruals at December 31, 2021 includes $0.6 million (2020 - $Nil) in taxes payable.

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

7. PROPERTY, PLANT AND EQUIPMENT

	Mineral Properties	Plant and Equipment	Mobile Fleet and Vehicles	Right-of-Use Assets	Construction in Progress (Expansion)[2]	Total
Cost						
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 – change in estimate	397	-	-	-	-	397
Transfers	1,236	13,958	13,401	-	(28,595)	-
Balance, December 31, 2020	62,013	28,811	28,029	4,153	1,815	124,821
Additions	10,473	6,177	-	14,866	22,957	54,473
Disposals / write-downs	-	-	(245)	(3,354)	-	(3,599)
Reclamation– changes in estimate	2,341	-	-	-	-	2,341
Transfers	53	5,233	2,815	201	(8,302)	-
Balance, December 31, 2021	$ 74,880	$ 40,221	$ 30,599	$ 15,866	$ 16,470	$ 178,036
Accumulated depreciation						
Balance, December 31, 2019	$ 6,370	$ 2,128	$ 4,420	$ 707	$ -	$ 13,625
Depreciation and depletion	4,573	1,666	5,548	857	-	12,644
Balance, December 31, 2020	10,943	3,794	9,968	$ 1,564	$ -	26,269
Depreciation and depletion	2,140	2,249	7,592	2,052	-	14,033
Disposals / write-downs	-	-	(160)	(1,904)	-	(2,064)
Transfers	260	(52)	(223)	15	-	-
Balance, December 31, 2021	$ 13,343	$ 5,991	$ 17,177	$ 1,727	$ -	$ 38,238
Carrying amounts						
As at December 31, 2020	$ 51,070	$ 25,017	$ 18,061	$ 2,589	$ 1,815	$ 98,552
As at December 31, 2021	$ 61,537	$ 34,230	$ 13,422	$ 14,139	$ 16,470	$ 139,798

[2] Construction in Progress at December 31, 2021 consists of $14.1 million (2020 - $1.8 million) in twin incline expansion costs and $2.4 million (2020 - $Nil) in other expansion costs.

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

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

Mining Lease 150 ("ML 150")

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

8. 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, 2021, the Company recorded $0.1 million (2020 - $1.2 million) in interest and finance expenses on the Loan.

The loan was a financial liability at amortized cost and recorded net of transaction costs. Transaction costs were 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.

The Company settled the Loan on February 3, 2021 and has no continuing obligations under the Loan agreement.

Loan	December 31, 2021	December 31, 2020
Loan, beginning of year	$ 4,894	$ 13,284
Principal payments	(5,000)	(8,571)
Amortization of transaction costs	106	181
Balance, end of period	$ -	$ 4,894
Loan, current portion	$ -	$ 4,894
Loan, non-current portion	$ -	$ -

9. 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, 2021	December 31, 2020
Balance, beginning of year	$ 3,040	$ 2,452
Change in estimates	2,341	397
Accretion	190	191
Balance, end of year	$ 5,571	$ 3,040

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

9. 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 10 years. The estimated cash-flows used to measure the provision were discounted to a present value using a risk-free discount rate of 6.96% (2020 – 6.26%).

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 $7.0 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.

10. LEASES LIABILITIES

The Company leases assets including mining equipment and buildings. The assets associated with the lease liabilities are included as Right-of-Use assets within property, plant and equipment (Note 7). During the year ended December 31, 2021, the Company incurred $0.6 million (2020 - $0.2 million) related to interest and finance expenses on the lease liabilities.

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

Lease Liabilities as at	December 31, 2021	December 31, 2020
Lease liabilities, beginning of year	$ 2,545	$ 1,161
Additions	14,866	2,200
Disposals	(1,281)	-
Payments	(2,610)	(1,003)
Interest expense	574	227
Adjustment on currency translation	3	(40)
Balance, end of period	$ 14,097	$ 2,545
Lease liabilities, current portion	$ 4,797	$ 1,235
Lease liabilities, non-current portion	$ 9,300	$ 1,310

The Company's lease liabilities at December 31, 2021 are summarized as follows:

	Within 1 Year	2-3 Years	Total
Future undiscounted lease payments	$ 6,081	$ 10,239	$ 16,320
Future finance charges	(1,284)	(939)	(2,223)
Total discounted lease liabilities	$ 4,797	$ 9,300	$ 14,097

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

11. DERIVATIVE INSTRUMENTS

The Company entered into zero-cost collar contracts during the period whereby it purchases gold put option contracts and sells gold call option contracts with equal and offsetting values at the inception of each contract.

The details of the open commodity contracts as at December 31, 2021 were as follows:

Contracts Outstanding	Quantity (ounces)	Strike Price ($/ounce)	Settlement Term[3]	Settlement Date
Gold call contracts – sold	10,819	$1,859	January 2022	March 31, 2022
Gold put contracts – purchased	10,819	$1,664	January 2022	March 31, 2022
Gold call contracts – sold	5,357	$1,918	February 2022	April 29, 2022
Gold put contracts – purchased	5,357	$1,718	February 2022	April 29, 2022
Gold call contracts – sold	13,693	$1,888	March 2022	May 31, 2022
Gold put contracts – purchased	13,693	$1,689	March 2022	May 31, 2022

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

For the year ended	December 31, 2021	December 31, 2020
Realized gains	$ 757	$ -
Unrealized loss	(27)	(280)
Net realized gains (losses)	$ 730	$ (280)

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

As at	December 31, 2021	December 31, 2020
Derivative assets	$ 118	$ -
Derivative liabilities	$ (425)	$ (280)

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.

[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)

12. SHARE CAPITAL AND RESERVES

Authorized share capital

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

Issued share capital

As at December 31, 2021, the Company had 224,242,737 common shares issued and outstanding.

Share issuances

Except on the exercise of share options, no shares were issued during the year ended December 31, 2021 and 2020.

Equity compensation

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

Effective October 28, 2021, the Company replaced the Stock Option Plan with a share compensation plan (the "**Share Compensation Plan**") that provides for the issuance of Options, Restricted Share Units ("**RSUs**"), and Performance Share Units ("**PSUs**").

Stock options

Pursuant to the Share Compensation Plan, the Company is authorized to grant Options to executive officers, directors, employees and consultants. The maximum number of Options that may be granted under the Share Compensation Plan, together with any other shares issuable pursuant to other security-based arrangements of the Company that may be granted pursuant to the Share Compensation Plan, is 9% of the issued and outstanding common shares at the time of the grant, on a non-diluted basis. The maximum number of common shares issuable pursuant to Options, on an aggregated basis, may not exceed 7% of the issued and outstanding common shares at the time of grant.

Stock option transactions are summarized as follows:

	Number Outstanding		Weighted Average Exercise Price (CAD)
Outstanding, December 31, 2019	15,960,100	$	1.01
Granted	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
Granted	2,420,000		8.02
Exercised	(5,027,640)		1.32
Forfeited	(757,600)		4.22
Outstanding, December 31, 2021	12,620,650	$	4.44
Number currently exercisable	11,846,050	$	4.21

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

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

Stock options (cont'd…)

The following incentive stock options were outstanding at December 31, 2021:

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	1,840,000	1,840,000	0.73	1.16
1.00 – 1.99	3,021,750	3,021,750	1.77	2.52
2.00 – 2.99	245,000	245,000	2.17	2.88
3.00 – 3.99	1,564,200	1,564,200	3.85	3.09
4.00 – 4.99	110,200	110,200	4.00	3.48
5.00 – 8.99	5,839,500	5,064,900	7.27	3.97
	12,620,650	11,846,050	4.44	3.08

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, 2021, the Company granted 2,420,000 stock options (2020 – 6,604,000). The following presents the weighted average assumptions used in the valuation of stock options:

For the year ended	December 31, 2021	December 31, 2020
Weighted average exercise price (CAD$)	$ 8.02	$ 5.64
Weighted average fair value (CAD$)	$ 3.88	$ 2.80
Risk-free interest rate	0.93%	0.70%
Expected life of options	4.0 years	4.0 years
Annualized volatility	63.45%	66.13%
Dividend rate	0.00%	0.00%
Forfeiture rate	2.21%	1.26%

The weighted average share price at the time of exercise for the year ended December 31, 2021 was CAD$7.93 (2020 – CAD$6.38).

During the year ended December 31, 2021, the Company recorded share-based payment expense of $11.1 million (2020 – $9.5 million) related to the stock options.

Restricted share units

Pursuant to the Share Compensation Plan, the Company is authorized to grant RSUs to executive officers, directors, employees and consultants. The maximum aggregate number of common shares that may be issuable pursuant to RSUs together with performance share units may not exceed 2% of the number of outstanding common shares, calculated at the time of grant. Unless otherwise determined by the Board in accordance with the Share Compensation Plan, the RSUs vest in three installments; one-third vesting one year from the grant date, one-third vesting two years from the grant date and the remainder vesting three years from the grant date.

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

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

Restricted share units (cont'd…)

During the year-ended December 31, 2021, the Company granted 150,213 RSUs which will vest as 50,071 RSUs on December 2, 2022, 50,071 RSUs on December 2, 2023 and 50,071 RSUs on December 2, 2024. The following summarizes the RSU transactions during the year:

	Number Outstanding	Fair Value
Outstanding, December 31, 2020	-	$ -
Granted	150,213	833
Outstanding, December 31, 2021	150,213	$ 833

During the year ended December 31, 2021, the Company recorded a share-based payment expense of $40 thousand (2020 – $Nil) related to the vesting of RSUs.

Performance Share Units

Pursuant to the Share Compensation Plan, the Company is authorized to grant PSUs to executive officers, directors, employees and consultants. The maximum aggregate number of common shares that may be issuable pursuant to PSUs together with RSUs may not exceed 2% of the number of outstanding common shares, calculated at the time of grant. Unless otherwise determined by the Board in accordance with the Share Compensation Plan, the PSUs vest in three installments; one-third vesting one year from the grant date, one-third vesting two years from the grant date and the remainder vesting three years from the grant date, subject to certain performance criteria having been met.

During the year-ended December 31, 2021, the Company granted no PSUs.

Earnings per share

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

For the year ended	December 31, 2021	December 31, 2020
Income for the year	$ 27,241	$ 42,034
Basic weighted average number of shares outstanding	221,464,618	215,813,030
Effect of dilutive securities:		
Stock options	5,332,748	8,267,438
Restricted share units	7,292	-
Diluted weighted average number of shares outstanding	226,804,658	224,080,468
Earnings per share		
Basic	$ 0.12	$ 0.19
Diluted	$ 0.12	$ 0.19

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

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

As at	At December 31, 2021		At December 31, 2020	
	Level 1	Level 2	Level 1	Level 2
Trade receivables (Note 4)	$ -	$ 16,748	$ -	$ 24,920
Derivative assets (Note 11)	-	118	-	-
Derivative liabilities (Note 11)	-	(425)	-	(280)
	$ -	$ 16,441	$ -	$ 24,640

The fair value of the Company's trade receivables, derivative assets and derivative liabilities were determined using observable market prices and market-derived inputs. There were no transfers between Level 1 and Level 2 during the year ended December 31, 2021.

As at December 31, 2021 and 2020, the carrying amounts of cash and cash equivalents, prepaids, receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments.

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

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. 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, 2021, the Company had a cash and cash equivalents balance of $71.3 million (2020 - $51.5 million), operating cash-flow for the year ended December 31, 2021 of $61.2 million (2020 – $64.8 million) to settle current liabilities of $33.0 million (2020 - $29.7 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)

13. 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.

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, 2021:

	Impact of price change on pre-tax earnings (loss)	
	10% increase	10% decrease
Trade receivables – gold	$ 4,894	$ (4,894)
Trade receivables – copper	$ 347	$ (347)

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

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

Financial risk factors (cont'd…)

Market risk (cont'd…)

c) Price risk (cont'd…)

Commodity contracts

The Company entered into zero-cost collar contracts during the period whereby it purchases gold put option contracts and sells gold call option contracts with equal and offsetting values at the inception of each contract.

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, 2021:

	Impact of price change on pre-tax earnings (loss)	
	10% increase	10% decrease
Derivative assets and liabilities (net)	$ (4,616)	$ 871

14. 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 Project. 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.

15. SEGMENTED INFORMATION

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

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

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

15. SEGMENTED INFORMATION (cont'd…)

Year ended December 31, 2021		Kainantu Project		Corporate & Other		Total
Net income (loss)	$	36,569	$	(9,328)	$	27,241
Capital expenditures	$	54,473	$	-	$	54,473
As at December 31, 2021						
Property, plant and equipment	$	138,658	$	1,140	$	139,798
Total assets	$	213,514	$	59,509	$	273,023
Total liabilities	$	46,043	$	1,844	$	47,887

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

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The following non-cash financing and investing activities occurred during the year:

For the year ended		December 31, 2021		December 31, 2020
Accounts payable relating to property, plant and equipment	$	1,562	$	352
Deposits on equipment relating to property, plant and equipment	$	82	$	154
Estimate of the reclamation and closure cost obligations relating to property, plant and equipment	$	2,341	$	413
ROU assets (net of disposals) relating to property, plant and equipment	$	13,415	$	-

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

17. REVENUE

For the year ended	December 31, 2021	December 31, 2020
Gold in concentrate	$ 159,531	$ 157,806
Copper in concentrate	10,596	3,354
Silver in concentrate	654	106
Treatment and refining charges	(5,128)	(4,558)
Revenue from contracts with customers	165,653	156,708
Gain (loss) on receivables at fair value	(11,327)	2,417
Total	$ 154,326	$ 159,125

18. COST OF SALES

For the year ended	December 31, 2021	December 31, 2020
Direct mining and milling	$ 17,937	$ 18,653
Maintenance	12,053	14,120
Other site costs	27,741	25,514
Net smelter royalties	4,107	3,549
Change in inventories	1,472	(4,613)
	63,310	57,223
Non-cash costs		
Depreciation and depletion	14,113	12,398
Share-based payments	5,874	3,803
Total	$ 83,297	$ 73,424

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

19. GENERAL AND ADMINISTRATIVE

For the year ended	December 31, 2021	December 31, 2020
Management, consulting and wages	$ 4,546	$ 1,851
Professional fees	329	427
Office, filing and administrative	419	419
Recovery of accrued expenditures	-	(518)
Travel	95	94
Investor relations	589	345
Depreciation	103	103
Total	$ 6,081	$ 2,721

20. INTEREST AND FINANCE EXPENSE

For the year ended	December 31, 2021	December 31, 2020
Interest and amortization of transaction costs on loan	$ 147	$ 1,160
Other interest and finance expense	1,316	1,206
Accretion of reclamation and closure cost obligations	190	191
Total	$ 1,653	$ 2,557

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

21. INCOME TAXES

Income tax expense

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

	December 31, 2021	December 31, 2020
Current income tax expense	$ 12,753	$ 11,991
Deferred income tax expense	6,601	12,305
Income tax expense	$ 19,354	$ 24,296

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

	December 31, 2021	December 31, 2020
Income for the year, before taxes	$ 46,595	$ 66,330
Statutory Canadian income tax rate	27%	27%
Expected income tax	$ 12,581	$ 17,909
Permanent differences	3,514	2,586
Difference in tax rates of foreign jurisdictions	1,880	2,612
Change in unrecognized deductible temporary differences	1,116	797
Foreign exchange on translation of deductible temporary differences	32	680
Other	231	(288)
Income tax expense	$ 19,354	$ 24,296

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

21. INCOME TAXES (cont'd…)

Deferred income taxes

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

	December 31, 2021	December 31, 2020
Deferred income tax asset	$ 15,008	$ 19,959
Deferred income tax liability	(5,234)	(3,584)
Net deferred income tax asset	$ 9,774	$ 16,375

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

	December 31, 2021	December 31, 2020
Property, plant and equipment	$ 12,455	$ 18,296
Reclamation and closure cost obligations	1,639	912
Accounts payable and accrued liabilities	871	750
Lease liabilities	43	1
Inventory, mine supplies, consumables and fuel	(5,234)	(3,584)
Net deferred income tax asset	$ 9,774	$ 16,375

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

	December 31, 2021	December 31, 2020
Balance, beginning of the year	$ 16,375	$ 29,360
Movement during the year		
Tax losses recognized, net of tax losses utilized during the year	-	(5,567)
Property, plant and equipment	(5,841)	(5,403)
Other	(728)	(1,335)
Foreign exchange on translation of deductible temporary differences	(32)	(680)
Balance, end of the year	$ 9,774	$ 16,375

The Company has tax losses in Canada of approximately $49.0 million (2020 – $44.1 million) expiring in various amounts from 2036 to 2041. 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)

22. RELATED PARTY TRANSACTIONS

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

Year ended	December 31, 2021	December 31, 2020
Share-based compensation	$ 2,866	$ 4,841
Management, consulting and wages	2,469	1,192
Professional fees	108	86

During the year ended December 31, 2021, the Company paid professional fees of $16.0 thousand (2020 - $18.0 thousand) to a Company related to the CFO for accounting services.

Included in accounts payable and accrued liabilities is $0.5 million (2020 - $0.1 million) due to directors, officers, and companies controlled by directors and officers of the Company that is non-interest bearing and due on demand.

23. COMMITMENTS

Off-take agreement

The Company's concentrate off-take agreement requires the delivery of 100% of concentrate produced at market prices until February 11, 2028, or until 165,000 dry metric tonnes of concentrate has been delivered, at which point the buyer of the Company's concentrate will be entitled to 50% of the annual production to the end of the term. To the year ending December 31, 2021, the buyer has purchased 34,807 dry metric tonnes (2020 – 20,429 dry metric tonnes).

Royalty and levy

The Kainantu Project is subject to a 2% net smelter returns royalty payable to local landowners and a 0.50% levy on gross revenues payable to the government in Papua New Guinea. For the year ended December 31, 2021, the Company recorded a total royalty and levy expense of $4.2 million (2020 - $3.5 million).