K92 MINING INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Presented in United States Dollars)

FOR THE QUARTERS ENDED SEPTEMBER 30, 2018 and 2017

K92 MINING INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Presented in United States Dollars)
(Unaudited)

AS AT	September 30, 2018	December 31, 2017
ASSETS		
Current		
Cash and cash equivalents	$ 3,020,819	$ 1,159,538
Receivables (Note 5)	5,172,706	622,377
Inventory (Note 6)	3,534,724	2,045,636
Prepayments (Note 7)	1,355,636	642,354
	13,083,885	4,469,905
Property, plant and equipment (Note 11)	41,996,085	37,566,840
	$ 55,079,970	$ 42,036,745
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 10,452,272	$ 9,902,887
CRH financing (Note 13)	5,196,661	4,420,366
Finance lease (Note 11)	222,328	242,787
	15,871,261	14,566,040
Finance lease (Note 11)	-	85,990
CRH financing (Note 13)	1,018,305	3,688,819
Reclamation and closure cost obligations (Note 14)	2,327,387	2,354,323
	19,216,953	20,695,172
Shareholders' equity		
Share capital (Note 15)	54,013,470	46,626,267
Preferred shares (Note 13 and 15)	1,018,876	1,018,876
Contributed surplus (Note 15)	11,359,779	9,366,514
Accumulated other comprehensive loss	(541,834)	(125,516)
Deficit	(29,987,274)	(35,544,568)
	35,863,017	21,341,573
	$ 55,079,970	$ 42,036,745

Nature of business and going concern (Note 1)
Subsequent events (Note 18)

Approved and authorized by the Audit Committee on November 22, 2018:

"Saurabh Handa" Director *"Mark Eaton"* Director

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

K92 MINING INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Presented in United States Dollars)
(Unaudited)

	For the three months ended September 30, 2018	For the three months ended September 30, 2017	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017
REVENUE[1] (Note 8)	$ 9,390,081	$ -	$ 31,650,309	$ -
COST OF SALES (Note 9)	(7,432,542)	-	(18,480,336)	-
	1,957,539	-	13,169,973	-
EXPENSES				
Accretion expense (Note 14)	$ 50,545	$ 36,123	$ 151,589	$ 111,981
Consulting and administrative (Note 10)	174,531	726,243	1,339,389	1,740,132
Exploration and evaluation expenditures	839,310	-	1,233,373	186,660
Foreign exchange	22,347	(40,214)	22,220	15,169
Investor relations	58,482	316,424	274,925	819,029
Share-based payments	298,803	(127,250)	1,433,906	865,323
	$ (1,444,018)	$ (911,326)	$ (4,455,402)	$ (3,738,294)
OTHER				
Interest	(112,107)	-	(299,819)	-
Net smelter return expense	-	(13,643)	-	(16,499)
Impairment of property, plant and equipment (Note 11)	-	(1,717,837)	-	(1,717,837)
Fair value gain (loss) on gold purchase agreement (Note 13)	(655,392)	(355,015)	95,593	(2,012,400)
Amortization of deferred loss (Note 13)	(1,577,394)	(491,811)	(2,953,051)	(2,677,637)
Income (loss) for the period	$ (1,831,372)	$ (3,489,632)	$ 5,557,294	$(10,162,667)
Items that may be reclassified to net loss				
Other comprehensive income				
Cumulative translation adjustment	(41,325)	395,870	(416,318)	738,529
Income (loss) and comprehensive income (loss) for the period	$ (1,872,697)	$ (3,093,762)	$ 5,140,976	$ (9,424,138)
Basic and diluted income (loss) per common share	$ (0.01)	$ (0.02)	$ 0.03	$ (0.07)
Weighted average number of common shares outstanding	180,547,476	157,535,279	174,609,489	138,510,861
Weighted average number of diluted common shares outstanding	180,547,476	157,535,279	180,123,179	138,510,861

[1] Revenue generated from concentrate sales from February 1, 2018, the date of declaration of commercial production.

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

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

For the nine months ended	September 30, 2018	September 30, 2017
CASH FROM OPERATING ACTIVITIES		
Income (loss) for the period	$ 5,557,294	$ (10,162,667)
Items not affecting cash:		
Unrealized foreign exchange gain	(568,818)	514,756
Accretion expense (Note 14)	151,589	111,981
Accrued interest	299,819	-
Impairment of property, plant and equipment (Note 11)	-	1,717,837
Amortization of deferred loss (Note 13)	2,953,051	2,677,637
Fair value loss (gain) on gold purchase agreement (Note 13)	(95,593)	2,012,400
Share-based payments (Note 15)	1,433,906	865,323
Depletion (Note 9)	1,621,208	-
Changes in non-cash working capital items:		
Inventory	(1,489,088)	(1,166,762)
Receivables	(4,550,329)	79,146
Prepayments	(713,282)	(227,476)
Accounts payable and accrued liabilities	7,271,456	(21)
Net cash provided by (used in) operating activities	11,871,213	(3,577,846)
CASH FROM INVESTING ACTIVITIES		
Lease payments	(106,449)	(89,140)
Proceeds from pre-production concentrate sales	3,690,501	3,300,089
Acquisition of Property, plant and equipment	(16,437,430)	(16,351,453)
Net cash used in investing activities	(12,853,378)	(13,140,504)
CASH FROM FINANCING ACTIVITIES		
Proceeds on issuance of capital stock (Note 15)	5,140,870	19,864,463
Proceeds on exercise of warrants	2,983,282	1,095,111
Proceeds on exercise of stock options	234,835	31,167
Purchase of gold credits (Note 13)	(5,093,070)	(4,594,770)
Share issuance costs (Note 15)	(438,020)	(913,973)
Net cash provided by financing activities	2,827,897	15,481,998
Change in cash and cash equivalents during the period	1,845,732	(1,236,352)
Effect of foreign exchange on cash	15,549	223,774
Cash and cash equivalents, beginning of period	1,159,538	4,291,697
Cash and cash equivalents, end of period	$ 3,020,819	$ 3,279,119
Cash paid for interest	$ -	$ -
Cash paid for taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 17)

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

K92 MINING INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Presented in United States Dollars)

	Share capital						
	Number	Amount	Preferred shares	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance at December 31, 2016	119,426,527	$ 28,315,925	$ 1,018,876	4,268,350	(938,836)	(23,475,531)	9,188,784
Private placements	34,026,583	16,363,592	-	3,500,871	-	-	19,864,463
Share issuance costs, units	1,053,333	464,920	-	131,937	-	-	596,857
Share issuance costs, units	-	(596,857)	-	-	-	-	(596,857)
Share issuance costs, cash	-	(913,973)	-	-	-	-	(913,973)
Share issuance costs, warrants	-	(236,351)	-	236,351	-	-	-
Exercise of warrants	2,936,436	1,290,039	-	(194,928)	-	-	1,095,111
Exercise of stock options	92,400	37,302	-	(6,135)	-	-	31,167
Share-based payments (Note 15)	-	-	-	1,308,501	-	-	1,308,501
Cumulative translation adjustment	-	-	-	-	738,529	-	738,529
Loss for the period	-	-	-	-	-	(10,162,667)	(10,162,667)
Balance at September 30, 2017	157,535,279	44,724,597	1,018,876	9,244,947	(200,307)	(33,638,198)	21,149,915
Share issuance costs, cash	-	(27,461)	-	-	-	-	(27,461)
Exercise of warrants	4,211,631	1,929,131	-	(279,580)	-	-	1,649,551
Share-based payments (Note 15)	-	-	-	401,147	-	-	401,147
Cumulative translation adjustment	-	-	-	-	74,791	-	74,791
Loss for the period	-	-	-	-	-	(1,906,370)	(1,906,370)
Balance at December 31, 2017	161,746,910	46,626,267	1,018,876	9,366,514	(125,516)	(35,544,568)	21,341,573
Private placements	14,444,500	4,309,123	-	831,747	-	-	5,140,870
Share issuance costs, cash	-	(438,020)	-	-	-	-	(438,020)
Share issuance costs, warrants	-	(138,921)	-	138,921	-	-	-
Exercise of warrants	4,345,684	3,362,760	-	(379,478)	-	-	2,983,282
Exercise of stock options	606,100	292,261	-	(57,426)	-	-	234,835
Share-based payments (Note 15)	-	-	-	1,459,501	-	-	1,459,501
Cumulative translation adjustment	-	-	-	-	(416,318)	-	(416,318)
Income for the period	-	-	-	-	-	5,557,294	5,557,294
Balance at September 30, 2018	181,143,194	$ 54,013,470	$ 1,018,876	$ 11,359,779	$ (541,834)	$ (29,304,710)	$ 36,863,017

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

1. NATURE OF BUSINESS AND GOING CONCERN

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 Tier 1 of the TSX Venture Exchange ("**TSX-V**") under the symbol KNT. 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 address and the registered records office is 488 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

As at September 30, 2018, the Company had a cumulative deficit of $29,987,274, working capital deficit of $2,787,376 and cash and cash equivalents of $3,020,819. For the nine month period ended September 30, 2018, the Company reported income of $5,557,294, and cash inflows from operating activities of $11,871,213. The Company does not have sufficient working capital to fund operating expenses for the next 12 month period in the event it is unable to generate profitable operations in the future or obtain relevant financing. There can be no assurance that the Company will have continued profitable operations at the mine, which casts significant doubt on the Company's ability to continue as a going concern.

The condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations; these adjustments could be material.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and follow the same accounting policies and methods of application, except as explained in Note 3, as the Company's most recent annual audited consolidated financial statements which were prepared in accordance with IFRS as issued by the IASB.

Basis of Presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial liabilities measured at fair value.

The condensed consolidated interim 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. The parent company, K92 Mining Inc., has a functional currency of the Canadian Dollar and K92 Mining (Australia) Pty Ltd. has a functional currency of the Australian Dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2017 except for those policies noted below.

IFRS 15 – Revenue from contracts with customers

The Company adopted IFRS 15 effective January 1, 2018. IFRS 15 addresses revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain benefits from the good or service.

The Company did not previously have a revenue policy and there were no significant changes in accounting.

The following is the Company's accounting policy for revenue recognition under IFRS 15:

Revenue Recognition

Revenue is generated from the sale of metals in concentrate.

The Company produces gold concentrate, which also includes copper and silver. The Company's performance obligations relate primarily to the delivery of concentrate to customers, with each shipment representing a separate performance obligation.

Revenue from the sale of gold concentrate is recognized at the point the customer obtains control of the product. Control is transferred when title has passed to the purchaser and the customer controls the risks and rewards of ownership and the Company has a present right to a payment for the product. Control over gold concentrate is transferred to the customer and revenue is recognized when the material reaches the port of Lae, Papua New Guinea, is assayed, and delivered to an off-taker designed storage warehouse located at the port.

Gold concentrate is sold under pricing arrangements where final prices are determined by market prices subsequent to the date of sale (the Quotational Period or "**QP**"). Revenue from concentrate sales is recorded at the amounts estimated to be received on the date the criteria for recognizing revenue 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

IFRS 9 – Financial Instruments

The Company adopted IFRS 9 effective January 1, 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into three measurement categories: those measured at fair value through profit and loss, at fair value through other comprehensive income, and at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings.

The requirements in IAS 39 for classification and measurement were carried forward to IFRS 9 and the Company's accounting policy with respect to financial liabilities remains unchanged.

As a result of the adoption of this standard, the Company has changed its accounting policy for financial assets:

Financial assets

Financial assets are classified as either financial assets at affair 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, account receivables, and accounts payable and accrued liabilities are recorded at amortized cost. The Company's settlement receivables and CRH financing are recorded at FVTPL. The change did not impact the carrying value of any financial assets on the transition date, January 1, 2018.

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.

The following is the new accounting policy for accounts receivable under IFRS 9. All other aspects of our accounting policies for financial instruments as disclosed in Note 3 to the audited consolidated financial statements for the year ended December 31, 2017 are unaffected.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Settlement receivables

Settlement receivables are amounts due from customers for the sale of gold concentrate in the ordinary course of business.

Settlement receivables arise from the sale of gold concentrates. Settlement receivables are classified as fair value through profit and loss and are recorded at fair value at each reporting period. Changes in fair value of settlements receivable are recorded as a separate component of revenue.

New standards not yet adopted

Certain pronouncements were issued by the IASB or IFRIC that are not mandatory for accounting periods beginning on or after January 1, 2018 or later periods. They have not been early adopted in these condensed consolidated interim financial statements, and they are expected to affect the Company in the period of initial application. In all cases the Company intends to apply these standards from application date as indicated below:

IFRS 16 Leases will be effective for accounting periods beginning on or after January 1, 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The Company is currently evaluating the impact of the application of this standard.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. ACQUISITION OF BARRICK (KAINANTU) LIMITED

Through its wholly owned subsidiary, on June 10, 2014, the Company entered into a Share Sale Agreement ("**SSA**") with Barrick (Niugini) Limited ("**Barrick**") and Mt Apex Investment Holdings Limited ("**Apex**"), whereby the Company agreed to acquire all of the outstanding shares of Barrick's wholly owned Papua New Guinea subsidiary, Barrick (Kainantu) Limited ("**Kainantu**"), that holds certain assets and mineral rights and interests in Papua New Guinea.

As consideration, the Company agreed to pay up to $62,000,000 as follows:

- $2,000,000 (paid);

- $20,000,000 upon the Company determining the existence of at least 1,000,000 gold equivalent ounces within 10 years, classified as a measured, indicated, probable ore resource, or a proven ore reserve equivalent ounce of gold in accordance with Australasian Code for Reporting Results, Mineral Resources and Ore Reserves; plus, cumulative production ("**Earn-Out Ounces**"); and

- $5,000,000 for every 250,000 ounces in excess of the Earn-Out Ounces achieved by the Company within 10 years, up to a maximum of 2,000,000 ounces or $40,000,000 in aggregate.

Pursuant to the PNG Mining Act, a 2% net smelter returns royalty, and a 0.25% levy on gross mine revenues are payable to the PNG government.

(Presented in United States Dollars)

4. ACQUISITION OF BARRICK (KAINANTU) LIMITED (cont'd…)

The SSA was contingent on the renewal of the mining leases which were renewed on January 23, 2015 for a period of 10 years effective from June 14, 2014 through June 13, 2024. Management has currently valued the consideration to be paid for Earn-Out Ounces at $Nil.

On March 6, 2015, the Company completed the SSA with Barrick. The cost of the acquisition was $2,525,220 consisting of $2,000,000 in cash and $525,220 in transaction costs.

5. RECEIVABLES

	September 30, 2018	December 31, 2017
Accounts receivable	$ 1,658,661	$ -
Settlement receivables	3,760,979	556,592
Pricing adjustments	(275,306)	-
Other	28,372	65,785
Total	$ 5,172,706	$ 622,377

6. INVENTORY

	September 30, 2018	December 31, 2017
Mine supplies, consumables and fuel	$ 2,615,400	$ 2,045,636
Ore stockpile	413,581	-
Gold concentrate	505,743	-
Total	$ 3,534,724	$ 2,045,636

7. PREPAYMENTS

Prepayments of $1,355,636 as of September 30, 2018 (December 31, 2017 - $642,354) consists of consumable inventory, insurance and investor relations.

(Presented in United States Dollars)

8. REVENUE

	Three months ended September 30, 2018	Three months ended September 30 31, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Gold in concentrate	$ 9,413,059	$ -	$ 31,512,892	$ -
Copper in concentrate	262,642	-	785,462	-
Silver in concentrate	5,340	-	44,473	-
Pricing adjustments	(146,022)	-	(275,306)	-
Treatment and refining charges	(144,938)	-	(417,212)	-
	$ 9,390,081	$ -	$ 31,650,309	$ -

Revenue is generated from concentrate sales from February 1, 2018, the date of declaration of commercial production. Proceeds from the sale of concentrate during the commissioning phase of the operations was recorded as pre-production revenue credited against property, plant and equipment (Note 11).

9. COST OF SALES

	Three months ended September 30, 2018	Three months ended September 30 31, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Direct mining and milling	$ 2,441,809	$ -	$ 5,714,806	$ -
Other site costs	4,514,295	-	11,144,274	-
Depletion	476,438	-	1,621,256	-
	$ 7,432,542	$ -	$ 18,480,336	$ -

10. EXPENSES

Consulting and administrative expense consisted of the following:	Three months ended September 30, 2018	Three months ended September 30 31, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Consulting	$ 127,724	$ 412,013	$ 566,168	$ 1,098,155
Professional fees	1,215	40,228	196,205	126,290
Office, filing and administrative	10,221	189,677	449,167	312,769
Travel	35,371	84,325	127,849	202,918
	$ 174,531	$ 726,243	$ 1,339,389	$ 1,740,132

(Presented in United States Dollars)

11. PROPERTY, PLANT AND EQUIPMENT

	Mineral Properties and Mine under Development	Mine and Mill Refurbishment	Mobile Fleet and Vehicles	Equipment under finance lease	Total
Cost					
Balance, December 31, 2016	$ 2,166,499	$ 14,724,608	$ 2,183,014	$ 464,692	$ 19,538,813
Additions	24,254,100	998,718	-	318,494	25,571,312
Capitalized depreciation	296,370	-	-	-	296,370
Impairment	-	(1,256,244)	-	(464,692)	(1,720,936)
Capitalized pre-production concentrate sales	-	(5,560,367)	-	-	(5,560,367)
Balance, December 31, 2017	26,716,969	8,906,715	2,183,014	318,494	38,125,192
Additions	4,393,927	2,160,530	3,186,497	-	9,740,954
Capitalized pre-production concentrate sales	-	(3,690,501)	-	-	(3,690,501)
Balance, September 30, 2018	$ 31,110,896	$ 7,376,744	$ 5,369,511	$ 318,494	$ 44,175,645
Accumulated depreciation					
Balance, December 31, 2016	$ -	$ 181,768	$ 86,420	$ -	$ 268,188
Impairment	-	-	-	(3,106)	(3,106)
Depreciation for the year	-	222,206	53,767	17,297	293,270
Balance, December 31, 2017	-	403,974	140,187	14,191	558,352
Depreciation for the period	1,146,070	302,213	161,173	11,752	1,621,208
Balance, September 30, 2018	$ 1,146,070	$ 706,187	$ 301,360	$ 25,943	$ 2,179,560
Carrying amounts					
As at December 31, 2017	$ 26,716,969	$ 8,502,741	$ 2,042,827	$ 304,303	$ 37,566,840
As at September 30, 2018	$ 29,964,826	$ 6,670,557	$ 5,068,151	$ 292,551	$ 41,996,085

All of the Company’s mining properties and related property, plant and equipment are located in Papua New Guinea.

(Presented in United States Dollars)

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

The Company has recorded the following as finance leases:

	September 30, 2018	December 31, 2017
Equipment leases payable in monthly instalments of $16,292 plus interest at 8.52% per annum. Matures July 2018, but balance outstanding at period end.	$ 52,171	$ 114,042
Equipment lease payable in monthly instalments of $9,208 plus interest at 9.02% per annum. Matures September 2019.	167,851	193,375
Equipment lease payable in monthly instalment of $2,306 plus interest at 17.00% per annum. Matures October 2018.	2,306	21,360
Present value of future minimum lease payments	$ 222,328	$ 328,777
Current portion	$ 222,328	$ 242,787
Long-term portion	$ -	$ 85,990

During the year ended December 31, 2017, the Company recorded an impairment to property, plant, and equipment of $1,717,837 (2016 - $Nil). The impairment was the result of third party vandalism at the mine site.

EXPLORATION AND EVALUATION ASSETS

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain mineral titles as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties.

Mining Lease 150 ("ML 150")

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

The Company began capitalizing costs associated with ML 150 to Mineral Properties and Mine under Development within Property, Plant and Equipment after technical feasibility and commercial viability was reached December 1, 2016.

Exploration Licenses ("EL") 470, 693, and 1341

The Company holds or applied for renewal certain exploration licenses adjacent to the Company's ML 150. Upon acquisition (Note 4) the Company has not assigned any value to these licenses.

12. RELATED PARTY TRANSACTIONS

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

During the nine month period ended September 30, 2018, the Company paid or accrued:

a) Consulting fees of $275,800 (2017 – 247,100) to the CEO and director of the Company, $61,046 (2017 - $205,895) to a director and former CEO of the Company, $79,800 (2017 – $75,600) to the CFO of the Company, $56,250 (2017 - $56,250) to the Chairman of the Board, and $54,000 (2017 – $162,000) to the former president and director of the Company. Each remaining director received $9,000 (2017 - $9,000) each. The Company also paid professional fees of $13,984 (2017 - $14,411) to a Company related to the CFO.

b) Share-based compensation of $994,505 (2017 - $857,323) to the officers and directors of the Company was recorded.

Included in accounts payable and accrued liabilities is $56,579 (December 31, 2017 - $44,335) due to directors, officers, and companies controlled by directors and officers of the Company that is non-interest bearing and due on demand.

13. CRH FINANCING

Gold prepayment agreement

On February 4, 2016, 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 committed to provide the Company with up to $4,813,974 over four tranches in exchange for a percentage of gold produced at the Irumafimpa, amended to include Kora deposit over a 36-month period, subject to a minimum of 18,000 ounces of gold and a maximum of 20,000 ounces of gold. During the six months ended September 30, 2018, the Company purchased 4,053 ounces of gold credits and delivered to CRH per the terms of the GPA.

(Presented in United States Dollars)

13. CRH FINANCING (cont'd…)

Gold prepayment agreement (cont'd…)

The Company recorded a CRH financing liability as follows:

CRH Financing Liability		September 30, 2018		December 31, 2017
CRH liability, beginning of period	$	20,003,724	$	21,578,385
Add:				
Fair value adjustment		(95,593)		2,568,049
Delivery of gold ounces during the period		(5,093,070)		(4,594,769)
Interest		309,951		-
Capitalized interest		31,442		452,059
		15,156,454		20,003,724
Less:				
Deferred loss		14,572,176		14,572,176
Amortization of deferred loss based on delivered ounces		(5,630,688)		(2,677,637)
		(8,941,488)		(11,894,539)
Balance, end of period	$	6,214,966	$	8,109,185
CRH financing liability, short-term	$	5,196,661	$	4,420,366
CRH financing liability, long-term	$	1,018,305	$	3,688,819

$789,972 (December 31, 2017 – $758,530) representing the interest component of the CRH financing has been capitalized to property, plant and equipment since the inception of the CRH financing, as they met the criteria of being qualifying assets prior to the commencement of commercial production.

The gold prepayment liability of $15,156,454 (December 31, 2017 - $20,003,724) was calculated using the following assumptions:

	September 30, 2018	December 31, 2017
Discount rate	8.20%	8.20%
Expected life of gold stream	15 months	22 months
Expected remaining repayment in gold ounces	12,272	16,325
Future gold price per ounce	$1,300	$1,331

The difference of cash received of $962,795 and the initial fair value of the gold prepayment liability of $15,534,971 was recorded as a deferred loss and is recognized over the units of production.

(Presented in United States Dollars)

13. CRH FINANCING (cont'd…)

As security for the Company's obligations under the GPA and the Class A preferred shares issued to CRH under the equity component, K92 granted CRH a comprehensive general security interest in all of K92's present and future property, together with specific security granted by the Company's subsidiaries in Papua New Guinea.

As additional consideration for the financing, the Company's wholly owned subsidiaries in Papua New Guinea have granted CRH an amended 0.50% (originally 0.25%) net smelter return ("**NSR**") royalty on Kora (with a buyback provision of $2,500,000) and a 0.5% NSR on Irumafimpa. For the nine month period ended September 30, 2018, the Company paid an NSR of $102,038 (September 30, 2017 - $16,499).

CRH is entitled to representation on the board of directors of the Company so long as the GPA remains outstanding or CRH maintains at least a 5% equity ownership in the Company.

14. 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.

	Nine months ended September 30, 2018	Period ended December 31, 2017
Balance – beginning of period	$ 2,354,323	$ 2,170,823
Foreign exchange movement	(178,525)	183,500
Accretion	151,589	-
Balance – end of period	$ 2,327,387	$ 2,354,323

The provision has been measured at the estimated value of future rehabilitation costs and estimated mine life of 10 years. The estimated cash-flows were discounted to present value using a risk-free discount rate of 8.59% (December 31, 2017 – 8.59%).

Periodically the Company reviews the estimate of future costs of the requisite reclamation and closure work required by current legislative standards. 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 $5,092,978. 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.

15. SHARE CAPITAL AND RESERVES

Authorized share capital

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

Issued share capital

As at September 30, 2018, the Company had 181,143,194 common shares and 5,000,000 preferred shares issued and outstanding.

Share issuances

During the nine months ended September 30, 2018, the Company:

Completed a private placement by issuing 14,444,500 units at a price of CAD$0.45 per unit for gross proceeds of CAD$6,500,025. Each unit consisted of one common share and one-half of one common share purchase warrant, which each warrant entitling the holder to purchase one common share at a price of CAD$0.65 for 18 months from closing. As part of the financing, the Company issued 1,011,115 agent warrants with the same terms as above with a fair value of $138,921 using the Black-Scholes pricing model and paid $438,020 as share issuance costs.

During the year ended December 31, 2017, the Company:

a) Completed a brokered and non-brokered private placement by issuing 20,693,250 units at a price of CAD$0.80 per unit for gross proceeds of CAD$16,554,600. Each unit consisted of one common share and one share purchase warrant exercisable for one year at a price of CAD$1.05. In connection with the offering, the Company issued finder's fee warrants with a fair value of $236,351 with the same terms as above and paid cash of $915,150.

b) Completed a non-brokered private placement by issuing 13,333,333 units at a price of CAD$0.75 per unit for gross proceeds of CAD$10,000,000. Each unit consisted of one common share and one share purchase warrant exercisable for one year at a price of CAD$1.00. In connection with the offering, the Company paid finder's fees of 1,053,333 shares, 1,053,333 warrants with the same terms as above and paid cash of $26,284.

(Presented in United States Dollars)

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

Stock options and warrants

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, 2016	21,613,755	$	0.93	10,550,000	$	0.63
Granted / Issued	36,392,976		1.03	3,520,000		0.65
Forfeited	-		-	(67,000)		1.00
Expired	(14,465,688)		1.28	-		-
Exercised	(7,148,067)		0.50	(92,400)		0.45
Outstanding, December 31, 2017	36,392,976	$	1.03	13,910,600	$	0.64
Granted / Issued	8,233,365		0.65	2,930,000		0.79
Exercised	(4,345,684)		0.89	(606,100)		0.50
Forfeited	-		-	(923,000)		0.76
Expired	(33,792,976)		1.00	-		-
Outstanding, September 30, 2018	6,487,681	$	0.65	15,311,500	$	0.66
Number currently exercisable	6,487,681	$	0.65	13,279,000	$	0.65

Stock options outstanding

The following incentive stock options were outstanding at September 30, 2018:

Number		Exercise price (CAD)	Expiry date
6,539,000	$	0.45	May 20, 2021
100,000		1.93	July 29, 2021
2,575,000		1.00	December 5, 2021
3,050,000		0.65	October 23, 2022
200,000		0.65	November 28, 2022
617,500		0.60	March 9, 2023
2,230,000		0.85	April 30, 2023

Warrants outstanding

The following incentive warrants were outstanding at September 30, 2018:

Number	Exercise price (CAD)	Expiry date
6,487,681	0.65	September 6, 2019

(Presented in United States Dollars)

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

Stock options and warrants (cont'd…)

Share-based payments

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. Under the plan the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant.

The following weighted average assumptions were used for the valuation of stock options:

	September 30, 2018	December 31, 2017
Risk-free interest rate	2.03%	1.00%
Expected life of options	4.5 years	4.5 years
Annualized volatility	75.47%	67.29%
Dividend rate	0.00%	0.00%
Forfeiture rate	5.00%	0.00%

16. SEGMENTED INFORMATION

The Company's only operating segment is the operating of gold mining activities in Papua New Guinea. The Company's development activities are all located in Papua New Guinea, with its head office function in Canada. All of the Company's capital assets, including property, plant and equipment are located in Papua New Guinea.

Nine months ended September 30, 2018	Australia	Papua New Guinea	Canada	Total
Net Income (loss)	$ -	$ 11,635,654	$ (6,078,360)	$ 5,557,294

Nine months ended September 30, 2017	Australia	Papua New Guinea	Canada	Total
Net Income (loss)	$ -	$ (2,016,447)	$ (8,146,220)	$ (10,162,667)

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the nine month period ended September 30, 2018, the Company:

a) Issued finder warrants with a fair value of $138,921 as share issuance costs;

b) Capitalized share-based payments of $25,595 to mineral properties under development; and

c) Transferred 4,053 gold credits to CRH as part of the GPA (Note 13).

During the nine month period ended September 30, 2017, the Company:

a) Issued finder warrants with a fair value of $368,288 as share issuance costs;

b) Capitalized share-based payments of $443,178 to mineral properties under development; and

c) Transferred 3,675 gold credits to CRH as part of the GPA (Note 13).

18. SUBSEQUENT EVENTS

Subsequent to September 30, 2018, the Company:

a) Signed a supply of services contract with a company in Papua New Guinea that will provide equipment and operators of the equipment for a fixed monthly fee of $112,800 (PGK376,000) over 48 months; and

b) Granted 1,730,000 stock options to directors, officers, consultants and employees with an exercise price of $0.74 expiring November 19, 2023 vesting in quarterly increments over 12 months.