("K92" or "the Company")

FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

Introduction

This Management's Discussion and Analysis ("**MD&A**") of K92 Mining Inc. (including its wholly owned subsidiaries, K92 Holdings International Limited (incorporated in British Virgin Islands), K92 Mining (Australia) Pty Ltd. (incorporated in Australia), and K92 Mining Ltd. (incorporated in Papua New Guinea)) is the responsibility of management and covers the three and six months ended June 30, 2018. The MD&A takes into account information available up to and including August 15, 2018 and should be read together with the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018 and the audited consolidated financial statements for the year ended December 31, 2017, which are available on the SEDAR website at www.sedar.com.

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

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

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

Description of Business

K92 Mining Inc. (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 production of gold, copper and silver from the Kora and Irumafimpa deposits from the Kainantu Gold Mine as well as exploration and development of mineral deposits in the immediate vicinity of the mine in Papua New Guinea.

Performance Summary and Subsequent Events

During the three-month period ended June 30, 2018, the Company:

- Had revenue of $13,734,023 from concentrate sales;

- Produced 10,485 gold ounces or 10,800 gold equivalent (AuEq) ounces at a Q2 cost of $576/gold ounce or $590/gold equivalent ounces and an all-in sustaining cost of $784/gold ounce or $792/gold equivalent ounce – year-to-date costs of $566/gold ounce or $574/gold equivalent ounces and an all-in sustaining cost of $767/gold ounce or $768/gold equivalent ounce. All-in-sustain cost is a non-IFRS measure computed below in the non-IFRS performance measures section;

- Released an updated resource estimate for Kora North based on results from underground grade control and exploration diamond drilling and face sampling. The updated resource comprises a measured resource of 242,900 tonnes at 13.9 g/t gold, 19 g/t silver and 1% copper. An indicated resource of 442,800 tonnes at 11.8 g/t gold, 21 g/t silver and 1.2% copper. An Inferred resource of 1,084,000 tonnes at 13.2 g/t gold, 15 g/t silver and 1% copper; and

- Granted 2,230,000 stock options to directors, officers, employees and consultants of the Company exercisable at CAD$0.85 until April 30, 2023.

Production guidance for 2018

- Gold production for 2018, including preproduction in the month of January, is expected to be between 42,000 and 46,000 gold equivalent ounces; and

- Production costs for the year, including cash costs between $530 and $560 per gold equivalent ounce and all-in sustaining costs between $740 and $800 per gold equivalent ounce are anticipated for the year ended December 31, 2018.

Commercial Production

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

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

Operations

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

During the three months ended June 30, 2018, the Company focused mining operations on the recently identified northern extension of the Kora deposit. During this three month period, the Company produced 10,485 ounces of gold, 128,634 pounds of copper and 1,671 ounces of silver or 10,800 gold-equivalent ounces (based on a gold price $1,300 per ounce; silver $16.50 per ounce; and copper $2.90 per pound). The concentrate produced was trucked to the Port of Lae, at which point a provisional payment amounting to 90% of total value of shipment was received by K92.

The material mined and treated during the period which came from the Kora North K1 and K2 vein averaged a grade of 20.4 g/t gold and 0.36% copper. Recoveries for the three months averaged 93.5% for gold and 91.5% for copper.

At the end of the quarter a fall of ground ("FOG") near muck bay 4 in the incline necessitated the acceleration of remediation and replacement of ground support in this area. This work had been scheduled to be undertaken over an extended period to spread the resultant disruption to operations over the balance of the year. However, as a result of the FOG this work has been completed in a single period of approximately 3 weeks. This work has not changed the production guidance for 2018.

Grade control drilling from the first drill cuddy, DDC3, located approximately 100 metres to the south of DDC2, commence during the quarter, while exploration drilling continued from DDC2. A fourth drill cuddy, DDC4, was commenced during the quarter and it is anticipated that exploration drilling form this cuddy will commence early in the three months ended September 30, 2018.

During the quarter an updated resource was estimated for Kora North based on results from underground grade control and exploration diamond drilling and face sampling. The updated resources comprises a Measured Resource of 242,900 tonnes at 13.9 g/t gold, 19 g/t silver and 1.0% copper; an Indicated Resource of 442,800 tonnes at 11.8 g/t gold, 21 g/t silver and 1.2% copper and an Inferred Resource of 1,084,400 tonnes at 13.2 g/t gold, 15 g/t silver and 1.0% copper. See table 1 below.

Table 1 – Kora North Mineral Resources effective June 25, 2018:

Category	Tonnes	Au (g/t)	Au (Oz)	Silver (g/t)	Silver (Ounces)	Copper (%)	Copper (000's lbs)	Gold Equivalent (g/t)	Gold Equivalent (Oz)
Measured	242,900	13.9	108,400	19	151,900	1.0	5,300	15.6	122,200
Indicated	442,800	11.8	168,100	21	291,100	1.1	11,900	13.9	198,300
Total M&I	685,700	12.5	276,500	20	450,000	1.3	17,200	14.5	320,500
Total Inferred	1,084,400	13.6	509,700	14	569,600	1.0	24,400	15.2	571,000

Note: Gold Equivalent (AuEq) uses Copper price – US$2.90/lb; Silver price US$16.50/oz and Gold price of US$1300/oz

Capital Expenditure

The Company contracted Mincore Pty. Ltd. to install a gold gravity recovery circuit into the process plant at the Kainantu gold mine. The cost of the gravity circuit is expected to be $1,000,000 and the installation of the gravity circuit is expected to improve gold recovery by between 2% and 5%. It is also expected to increase the payment terms for the gold produced in dore form by approximately 3% to 4%, giving a net increase in gold revenue of at least 4% anticipated to be completed by September.

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

The Company significantly increased the underground fleet with the purchase of a second Volvo A30F Haul Truck, a third Cat R1300G LHD and a second Sandvik DD420-60 twin boom jumbo. In addition a Cat R1700G LHD was brought in on lease and orders have been placed for a second Cat R1700G LHD and a third Sandvik Quasar single boom jumbo as well as various ancillary mobile equipment.

Exploration

The Company commenced an initial underground exploration drilling program in early 2018. This program is targeting an area immediately up dip, down dip and along strike from the initial Kora North resource reported above.

Significant intercepts from Kora Underground Exploration Drilling

Hole ID	From (m)	To (m)	Interval (m)	True width (m)	Au g/t	Ag g/t	Copper %	AuEq
KMDD0089	52.60	59.20	6.60	2.78	10.70	3	0.14	10.94
including	52.60	53.90	1.30	0.55	3.14	5	0.18	3.49
including	53.90	54.90	1.00	0.42	1.15	2	0.05	1.26
including	54.90	55.90	1.00	0.42	9.46	4	0.45	10.19
including	56.30	57.00	0.70	0.29	8.53	1	0.04	8.60
including	57.00	57.50	0.50	0.21	94.03	6	0.16	94.36
including	57.50	58.00	0.50	0.21	2.64	2	0.01	2.69
including	58.00	59.20	1.20	0.51	1.24	1	0.03	1.30
KMDD0089	65.00	66.60	1.60	1.23	1.08	8	0.73	2.29
KMDD0089	77.80	78.80	1.00	0.71	0.59	160	3.20	5.69
KMDD0089	138.00	140.00	2.00	1.20	3.95	17	0.37	4.73
including	138.00	139.20	1.20	0.72	4.56	8	0.41	5.28
including	139.20	140.00	0.80	0.48	3.04	31	0.32	3.92
KMDD0089	261.00	261.60	0.60	0.57	5.34	28	0.81	6.92
including	261.00	261.40	0.40	0.38	2.27	32	1.01	4.22
including	261.40	261.60	0.20	0.19	11.48	19	0.40	12.34
KMDD0091	73.50	76.10	2.60	1.01	24.42	5	0.06	24.58
including	73.50	74.40	0.90	0.35	28.77	12	0.09	29.06
including	74.40	75.50	1.10	0.43	6.08	1	0.02	6.13
including	75.50	76.10	0.60	0.23	51.53	1	0.10	51.69
KMDD0091	81.10	89.50	8.40	3.19	4.18	5	0.35	4.79
including	81.10	82.00	0.90	0.34	7.21	1	0.13	7.42
including	82.00	82.80	0.80	0.30	0.20	1	0.07	0.32
including	82.80	83.40	0.60	0.23	18.79	8	0.13	19.10
including	83.40	84.00	0.60	0.23	5.06	1	0.04	5.14
including	84.00	84.50	0.50	0.19	0.55	1	0.03	0.61
including	84.50	85.80	1.30	0.49	2.65	1	0.11	2.84
including	85.80	86.80	1.00	0.38	0.20	3	0.71	1.32
including	86.80	87.50	0.70	0.27	0.42	3	0.06	0.54
including	87.50	88.50	1.00	0.38	2.06	14	0.46	2.94
including	88.50	89.50	1.00	0.38	7.84	18	1.34	10.11
KMDD0091	111.00	130.00	19.00	7.41	1.44	16	0.17	1.90
including	111.00	112.00	1.00	0.39	3.94	11	0.24	4.45
including	112.00	113.00	1.00	0.39	0.25	2	0.13	0.47
including	113.00	114.00	1.00	0.39	0.86	33	0.37	1.84
including	114.00	115.00	1.00	0.39	1.82	1	0.07	1.94
including	115.00	116.00	1.00	0.39	1.35	3	0.09	1.5
including	116.00	118.20	2.20	0.86	1.14	12	0.20	1.60
including	118.20	119.30	1.10	0.43	0.45	5	0.18	0.80
including	119.30	121.20	1.90	0.74	2.88	12	0.22	3.36
including	121.20	122.40	1.20	0.47	1.17	4	0.21	1.54
including	122.40	123.90	1.50	0.59	1.57	3	0.13	1.81
including	123.90	124.80	0.90	0.35	2.27	4	0.20	2.63
including	124.80	125.70	0.90	0.35	1.56	8	0.09	1.80
including	125.70	126.50	0.80	0.31	0.30	192	0.33	3.24
including	126.50	127.30	0.80	0.31	1.37	7	0.13	1.66
including	127.30	128.60	1.30	0.51	1.21	6	0.10	1.44
including	128.60	130.00	1.40	0.55	0.35	3	0.05	0.46
KMDD0091	144.00	145.00	1.00	0.40	1.17	35	2.85	5.97
KMDD0093	177.00	199.20	22.20	6.22	61.81	6	0.27	62.30
including	177.00	177.70	0.70	0.20	1.69	1	0.11	1.87
including	177.70	178.50	0.80	0.22	6.23	3	0.41	6.90
including	178.50	179.50	1.00	0.28	1.13	1	0.04	1.21
including	179.50	180.60	1.10	0.31	0.81	1	0.02	0.85
including	180.60	181.10	0.50	0.14	5.02	4	0.76	6.23
including	181.10	181.60	0.50	0.14	3.39	4	0.10	3.59
including	181.60	182.60	1.00	0.28	6.04	1	0.05	6.12
including	182.60	183.50	0.90	0.25	24.15	1	0.03	24.20
including	183.50	184.50	1.00	0.28	52.54	3	0.21	52.89
including	184.50	185.40	0.90	0.25	90.90	3	0.16	91.19
including	185.40	185.90	0.50	0.14	0.46	1	0.01	0.49
including	185.90	187.00	1.10	0.31	120.42	6	0.11	120.67
including	187.00	187.80	0.80	0.22	3.83	3	0.14	14.09

including	187.80	188.80	1.00	0.28	9.23	14	1.01	10.96
including	188.80	189.40	0.60	0.17	1.54	1	0.31	2.03
including	189.40	190.50	1.10	0.31	925.00	54	0.68	926.73
including	190.50	191.50	1.00	0.28	3.05	5	0.79	4.32
including	191.50	192.50	1.00	0.28	1.84	1	0.36	2.41
including	192.50	193.50	1.00	0.28	0.98	1	0.32	1.48
including	193.50	194.50	1.00	0.28	1.30	2	0.22	1.65
including	194.50	195.30	0.80	0.22	4.52	3	0.58	5.45
including	195.30	196.00	0.70	0.20	10.45	3	0.30	10.94
including	196.00	197.60	1.60	0.45	1.58	3	0.08	1.75
including	197.60	198.50	0.90	0.25	4.29	5	0.04	4.41
including	198.50	199.20	0.70	0.20	2.45	2	0.04	2.54

Note: Gold Equivalent uses Copper price – US$2.90/lb; Silver price US$16.50/oz and Gold price of US$1300/oz

K92 Mining Inc.'s fieldwork in the Blue Lake area of EL470 has resulted in the identification of a new, highly prospective exploration area. At Blue Lake (Pomasi), K92 has identified gold/silver/copper mineralization and hydrothermal alteration typical of that encountered in a high-sulphidation epithermal system.

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

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

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

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

K92 mine geology manager and mine exploration manager, Andrew Kohler, PGeo, a qualified person under the meaning of Canadian National Instrument 43-101, has reviewed and is responsible for the technical content of this MD&A. Data verification by Mr. Kohler includes significant time onsite reviewing drill core, face sampling, underground workings, and discussing work programs and results with geology and mining personnel.

Community Relations

During the period K92 continued to engage in a positive manner with the various landowner groups in the region which are parties to the existing Memorandum of Agreement ("MOA"). The Company has also been working with the landowner groups, Mineral Resources Authority ("MRA") and local government in progressing towards a review of the MOA with the first step of formal submissions from the various parties having been completed.

The Company has been increasing the number of PNG Nations including both landowner groups employed on the mine over the period (as the workforce is being built up to meet the requirements of the development of the Kora mining operation) as well as increased exploration activity. As at the end of the period the total site workforce number 513, of which 489 were PNG Nationals, including almost 60% of whom were local landowners.

The landowners representative bodies have now established fully compliant business entities which will become parties, through joint ventures or similar arrangements, to major contracts to provide various services to the mine. The Company is providing direct financial and logistical support to the business entities and the landowner representative bodies to ensure the long term viability of the businesses and that the benefits flow through to the communities. It is anticipated that four major contracts involving the landowner business entities will be signed in the third quarter.

In addition, the Company put in place a number of scholarships for students from the landowner groups to attend tertiary education institutions. This long term commitment is designed not only to provide opportunities for individuals but also to enhance and increase the skills base within the communities to better participate in the opportunities that the mine offers.

The Company is continuing to work with the landowner representative bodies to evaluate opportunities to participate in and benefit from the operations of the Company. Through participative forums we will also look for opportunities to contribute to the development and well being of the communities.

Results of Operations for the six months ended June 30, 2018 as compared to June 30, 2017

During the six months ended June 30, 2018, the Company had a net income of $7,388,666 (2017 – loss of $6,673,034). Significant items making up income, and changes from prior periods, are as follows:

Revenue of $22,260,228 (2017 - $Nil) from the sale of gold concentrate from February 1, 2018, the date of declaration of commercial production, to June 30, 2018.

Cost of sales of $11,047,794 (2017 - $Nil) consisting of mining, processing, mine technical services, maintenance, finance and admin at site, operational health and safety, depreciation and net smelter royalties.

An increase of consulting and administrative of $150,969 to $1,164,858 (2017 – $1,013,889). The increase was due to a $229,406 accrual for payroll taxes on expatriate withholdings in Papua New Guinea.

Fair value gain on gold purchase agreement of $750,985 (2017 – loss of $1,657,385). This relates in the fair value adjustment to the CRH gold prepayment using period end assumptions for the estimated present value of the gold to be repaid. The key changes in assumptions included an increase in future gold price per ounce estimate and discount rate.

Amortization of deferred loss of $1,375,657 (2017 - $2,185,826). The difference of cash received and the initial fair value of the gold prepayment liability of $15,534,971 was originally recorded as a deferred loss and is being recognized over the units of production. This amount represents the amortization of the deferred loss when the Company transferred 1,888 (2017 - 3,000) gold ounce credits to CRH.

Summary of Quarterly Results

The following table summarizes the three month period ended June 30, 2018 and March 31, 2018, December 31, September 30, June 30, and March 31 2017, the four-month period ended December 31, 2016 and the three months ended August 31, 2016.

	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Total assets	$ 52,852,117	$ 48,611,997	$ 42,036,745	$ 38,435,952
Working capital (deficiency)	(16,339)	(1,974,720)	(10,096,135)	(6,073,021)
Shareholders equity	36,442,993	29,470,526	21,341,573	21,149,915
Net income (loss)	4,071,596	3,317,070	(1,906,371)	(3,489,632)
Net income (loss) per share	0.02	0.02	(0.01)	(0.02)
	June 30, 2017	March 31, 2017	December 31, 2016	August 31, 2016
Total assets	$ 43,550,079	$ 29,282,274	$ 24,873,985	$ 21,883,284
Working capital (deficiency)	(2,718,358)	(8,250,402)	(4,928,922)	2,308,701
Shareholders equity	23,927,750	12,043,130	9,188,784	6,745,341
Net income (loss)	(1,035,441)	(5,637,593)	(4,094,104)	(9,284,653)
Net income (loss) per share	(0.01)	(0.04)	(0.04)	(0.16)

Net income in the three months ended June 30 and March 31, 2018 attributable to the Company declaring commercial production effective February 1, 2018.

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

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

Results of Operations for the three months ended June 30, 2018 as compared to June 30, 2017

During the three months ended June 30, 2018, the Company had a net income of $4,071,596 (2017 – loss of $1,035,441). Significant items making up income, and changes from prior periods, are as follows:

Revenue of $13,734,023 (2017 - $Nil) from the sale of gold concentrate.

Cost of sales of $7,280,960 (2017 - $Nil) consisting of mining, processing, mine technical services, maintenance, finance and admin at site, operational health and safety, depreciation and net smelter royalties.

A slight increase of consulting and administrative of $14,555 to $469,906 (2017 – $455,351). The increase was primarily due to some changes in staffing as compared to prior period.

Fair value gain on gold purchase agreement of $936,529 (2017 – $234,766). This relates in the fair value adjustment to the CRH gold prepayment using period end assumptions for the estimated present value of the gold to be repaid. The key changes in assumptions included an increase in future gold price per ounce estimate and discount rate.

Amortization of deferred loss of $1,326,396 (2017 - $Nil). The difference of cash received and the initial fair value of the gold prepayment liability of $15,534,971 was originally recorded as a deferred loss and is being recognized over the units of production. This amount represents the amortization of the deferred loss when the Company transferred 1,821 (2017 - Nil) gold ounce credits to CRH.

Non-IFRS Performance Measures

This document includes certain non-IFRS performance measures that do not have a standardized meaning prescribed by IFRS. These measures may differ from those used by other issuers, and may not be comparable to such measures as reported by, other issuers. The Company believes that these measures are commonly used by certain investors, in conjunction with conventional IFRS measures, to enhance their understanding of the Company's performance. These measures have been derived from the Company's financial statements and applied on a consistent basis. The following tables below provide a reconciliation of these non-IFRS measures to the most directly comparable IFRS measure.

Cash costs per ounce

Cash costs of sales include all costs absorbed into concentrate inventory, treatment, refining and transportation costs, less non-cash items such as depreciation. Total cash cost per ounce sold is calculated by dividing the aggregate of the applicable costs by gold ounces sold. Site cash costs of production include all costs absorbed into inventory less non-cash items such as depreciation. Site cash costs per ounce produced are calculated by dividing the aggregate of the applicable costs by gold ounce produced. These measures are calculated on a consistent basis for the period presented.

All-in sustaining cost per ounce

All-in sustaining costs of sales include all cash costs above plus accretion costs of environmental provisions, corporate costs and sustaining capital expenditures. Total all-in sustaining cost per ounce sold is calculated by dividing the aggregate of the applicable costs by gold ounces sold. These measures are calculated on a consistent basis for the period presented.

	Three months ended June 30, 2018	Six months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2017
Cost of Sales	$ 7,280,960	$11,047,794	$ -	$ -
Add: pre-production costs for January	-	1,761,854	-	-
Add: cash costs allocated to inventory	109,450	109,450	-	-
Less: depreciation	(618,705)	(1,144,826)	-	-
Cash cost of sales	6,373,115	11,774,272	-	-
Add: accretion	89,563	101,044	-	-
Add: corporate costs	469,906	1,164,858	-	-
Add: capital expenditures[1]	1,616,451	2,718,983	-	-
All-in sustaining costs	8,549,035	15,759,157	-	-
Gold ounces produced[3]	10,485	19,809	-	-
Gold equivalent ounces produced[2]	10,800	20,529	-	-
Cash cost per ounce of gold[3]	$576	$566	-	-
Cash cost per equivalent ounce of gold[2]	$590	$574	-	-
All-in sustaining cost per ounce of gold[3]	$784	$767	-	-
All-in sustaining cost per equivalent ounce of gold[2]	$792	$768	-	-

[1] Purchase or property, plant and equipment for the six months ended June 30, 2018 from statement of cash flow ($13,262,859) less Mine and Mill refurbishment costs ($778,542) less Mobile Fleet and Vehicles ($2,673,579) less payables paid that related to the year ended December 31, 2017 ($7,091,755).

[2] Gold Equivalent uses Copper price – $2.90/pound; Silver price $16.50/ounce and Gold price of $1300/ounce.

[3] Used figures above less a credit of $561,953 for the six months ended June 30, 2018, from the silver and copper included in concentrate.

Liquidity

As at June 30, 2018, the Company had a working capital deficit of $224,100 (December 31, 2017 – $10,096,135). This balance included a cash balance of $4,766,156 (December 31, 2017 - $1,159,538) and accounts receivable balance of $4,202,389 (December 31, 2017 - $622,377) to settle current liabilities of $12,097,294 (December 31, 2017 - $14,566,040).

Operating Activities: During the six months ended June 30, 2018, the Company generated $8,923,410 from operating activities compared to an outflow of $2,286,783 for the six months ended June 30, 2017.

Investing Activities: During the six months ended June 30, 2018, the Company purchased $13,262,859 in property, plant, and equipment including $225,031 in lease payments and collected $3,690,501 from its pre-production gold sales.

Financing Activities: During the six months ended June 30, 2018 the Company completed a financing and issued capital stock for $5,140,870. In addition, the Company purchased 1,888 gold credits for $2,356,041 that was transferred to CRH as per the GPA and paid share issuance costs of $438,020.

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

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

Related Party Transactions

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

During the six month period ended June 30, 2018, the Company paid or accrued:

a) Consulting fees of $41,652 (2017 - $144,000) to a director and former CEO of the Company, $52,800 (2017 – $50,400) to the CFO of the Company, $179,800 (2017 - $131,400) to the CEO, director, and former COO of the Company, $37,500 (2017 - $37,500) to the Chairman of the Board, and $54,000 (2017 – $108,000) to the former president and director of the Company. Each remaining director received $6,000 (2017 - $6,000) each. The Company also paid professional fees of $9,388 (2017 - $9,066) to a Company related to the CFO.

b) Share-based compensation of $987,249 (2017 - $857,323) to the officers and directors of the Company was recorded.

Included in accounts payable and accrued liabilities is $60,254 (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.

Outstanding Share Data

As at the date of this report the Company had 180,982,594 common shares and 5,000,000 preferred shares issued and outstanding.

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

Number	Exercise price (CAD)		Expiry date
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
700,000		0.60	March 9, 2023
2,230,000		0.85	April 30, 2023

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

Number	Exercise price (CAD)	Expiry date
6,565,781	0.65	September 6, 2019

Off-Balance Sheet Arrangements

At June 30, 2018, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Proposed Transactions

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

Capital Resources

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

Risk Factors

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

Changes in Accounting Policies including Initial Adoption

The accounting policies followed in the 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 new 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.

Gold concentrate is sold under pricing arrangements where final prices are determined by market prices subsequent to the date of sale (the Quotationally 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.

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. The change did not impact the carrying value of any financial assets on the transition date, January 1, 2018.

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.

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.

Critical Accounting Policies and Estimates

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

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

Landowners' compensation

The Company has obligations to compensate landowners annually who are affected by the operations of the Kainantu mine. These compensations are governed by the Papua New Guinean Mining Act 1992 and land and environment compensation agreement ("**CA**") for ML 150 that the prior owner of the Kainantu mine entered into with the BILA and certain landowners / clans listed in the agreement. The actual recipients of the compensation determined under the CA and landowners' share of sales royalty could not be paid as required under the CA until the legitimate landowners were identified by the Papua New Guinean Land Titles Commission ("**LTC**") and so compensation payments have been accrued but not paid.

The estimation of landowners' compensation in Kainantu requires significant judgmental assumptions regarding compensation rates and land area affected by the mining activities. The principal factors that cause expected cash flows to change are: changes in the land area lost due to mining or other activities; changes in compensation rates; future claims for additional compensations and in particular individual one off compensations that are found to be legitimate and requiring additional payments.

The amount of landowners' compensation provision for Kainantu mine as of June 30, 2018 was $1,212,704 (December 31, 2017 – $551,469), which reflects expected cost.

Exploration and evaluation

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

Achievement of Production Phase

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

Going concern

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

Rehabilitation and restoration provision

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

Income tax

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

Gold prepayment agreement

Judgment is required in assessing the appropriate accounting treatment of the gold prepayment agreement on the closing date and in future periods. We consider the specific terms of the agreement to determine whether we have disposed of an interest in the mineral property. This assessment considers what the counterparty is entitled to and the associated risks and rewards attributable to them over the life of the operation, including the contractual terms related to the total production over the life of the arrangement as compared to the expected production over the life of the mine, the percentage being sold, the percentage of payable metals produced, and any guarantee relating to the upfront payment if production ceases.

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

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

Estimated useful lives

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

Contingent Liability

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

Share-based payments

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

Financial Instruments and Risk Management

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash and cash equivalents and receivables approximate their carrying value due to the short-term maturity. Fair value of accounts payable and accrued liabilities and loans payable may be less than the carrying value for some of these instruments given going concern uncertainties described in Note 1 of the condensed consolidated interim financial statements.

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

Financial risk factors

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

Credit risk

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

Liquidity risk

The Company has in place a planning and budgeting process to manage its liquidity risk and ensure it has sufficient liquidity to meet liabilities when due. As at June 30, 2018, the Company had a cash and cash equivalents balance of $4,766,156 (December 31, 2017 - $1,159,538) to settle current liabilities of $12,097,294 (December 31, 2017 - $14,566,040). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company requires additional funds to settle the existing liabilities, fund exploration and development expenditures, and maintain general and administrative expenses over the coming year.

Market risk

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

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash and cash equivalents balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at June 30, 2018, the Company did not have any investments in investment-grade short-term deposit certificates. The Company's loans payable are not exposed to interest rate risk given interest rates on loans are fixed.

b) Foreign currency risk

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

Cautionary Statement Regarding Certain Measures of Performance

This MD&A presents certain measures, including "cash costs" and "all-in sustaining costs", that are not recognized measures under IFRS. This data may not be comparable to data presented by other gold producers. For a reconciliation of these measures to the most directly comparable financial information presented in the consolidated financial statements prepared in accordance with IFRS, see Non-IFRS Financial Performance Measures in this MD&A. The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in performing year over year comparisons. However, these non-IFRS measures should be considered together with other data prepared in accordance with IFRS, and these measures taken by themselves, are not necessarily indicative of operating costs or cash flow measures prepared in accordance with IFRS.

Note Regarding Forward-Looking Statements

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

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

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

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

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

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