K92 MINING INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Presented in thousands of United States Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, 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, 2022 and 2021;
- the consolidated statements of operations and comprehensive earnings 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.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. 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 judgements, estimates and assumptions and note 7 – Property, plant and equipment to the consolidated financial statements.* The Company has $190 million of property, plant and equipment (PP&E) capitalized related to the Kainantu Mine as at December 31, 2022. 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 has 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, 2022. 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 its assessment of indicators of impairment, which resulted in a high degree of subjectivity in performing audit procedures related to these judgments applied by management.	Our approach to addressing the matter included the following procedures, among others: • Evaluated 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, 2022. – 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 29, 2023

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

As at	December 31, 2022	December 31, 2021
ASSETS		
Current		
Cash and cash equivalents	$ 109,938	$ 71,270
Receivables (Note 4)	29,257	23,249
Inventories (Note 5)	28,510	25,411
Prepayments	5,624	1,470
Derivative assets (Note 10)	-	118
	173,329	121,518
Deferred income tax assets (Note 20)	2,590	9,774
Deposits on equipment	4,338	1,933
Property, plant and equipment (Note 7)	190,458	139,798
	$ 370,715	$ 273,023
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 6)	$ 36,966	$ 27,150
Income tax payable	4,121	644
Current portion of lease liabilities (Note 9)	5,324	4,797
Derivative liabilities (Note 10)	1,747	425
	48,158	33,016
Lease liabilities (Note 9)	4,773	9,300
Reclamation and closure cost obligations (Note 8)	8,478	5,571
	61,409	47,887
Shareholders' equity		
Share capital (Note 11)	142,066	92,021
Contributed surplus (Note 11)	26,644	28,042
Accumulated other comprehensive loss	(257)	(257)
Retained earnings	140,853	105,330
	309,306	225,136
	$ 370,715	$ 273,023

Approved and authorized by the Board of Directors on March 29, 2023:

"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 EARNINGS
(Presented in thousands of United States Dollars, except share and per share amounts)

For the year ended		December 31, 2022		December 31, 2021
REVENUE (Note 16)	$	188,186	$	154,326
COST OF SALES (Note 17)		(96,272)		(83,297)
Earnings from mine operations		91,914		71,029
EXPENSES				
General and administrative (Note 18)	$	(6,811)	$	(6,081)
Exploration and evaluation expenditures		(16,219)		(12,017)
Foreign exchange		(2,319)		(231)
Share-based payments		(3,210)		(5,182)
Earnings from operations	$	63,355	$	47,518
OTHER				
Interest and finance expense (Note 19)		(3,335)		(1,819)
Interest income		1,220		166
Gain (loss) on derivative instruments (Note 10)		(1,469)		730
Earnings before taxes	$	59,771	$	46,595
Income tax expense		(24,248)		(19,354)
Net earnings and comprehensive earnings	$	35,523	$	27,241
Earnings per share (Note 11)				
Basic	$	0.16	$	0.12
Diluted	$	0.15	$	0.12
Weighted average number of shares outstanding (Note 11)				
Basic		229,007,329		221,464,618
Diluted		233,337,894		226,804,658

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, 2022	December 31, 2021
CASH FROM OPERATING ACTIVITIES		
Net earnings for the year	$ 35,523	$ 27,241
Items not affecting cash:		
Unrealized foreign exchange loss (gain)	2,179	(126)
Interest and finance expenses	1,445	807
Derivative instruments (Note 10)	1,469	(730)
Deferred income tax	7,152	6,601
Share-based payments (Note 11)	4,377	11,056
Depreciation and depletion	20,340	13,958
Loss on disposal / write-down of equipment (Note 7)	71	216
Net proceeds (payments) from derivatives (Note 10)	(29)	757
Changes in non-cash working capital items:		
Inventories	(2,546)	(4,331)
Receivables	(7,337)	2,296
Income tax payable	3,477	1,178
Prepayments	(4,154)	(54)
Accounts payable and accrued liabilities	11,161	2,347
Net cash provided by operating activities	73,128	61,216
CASH FROM INVESTING ACTIVITIES		
Deposits for equipment	(4,338)	(1,933)
Acquisition of property, plant and equipment	(67,390)	(37,879)
Net cash used in investing activities	(71,728)	(39,812)
CASH FROM FINANCING ACTIVITIES		
Proceeds on issuance of capital stock (Note 11)	38,324	-
Share issuance costs (Note 11)	(2,336)	-
Proceeds on exercise of stock options	8,282	5,324
Principal loan payments	-	(5,000)
Principal lease payments (Note 9)	(4,865)	(2,036)
Net cash (used in) provided by financing activities	39,405	(1,712)
Change in cash and cash equivalents during the year	40,805	19,692
Effect of foreign exchange on cash	(2,137)	83
Cash and cash equivalents, beginning of year	71,270	51,495
Cash and cash equivalents, end of year	$ 109,938	$ 71,270
Cash paid for interest	$ (2,369)	$ (1,470)
Cash received for interest income	$ 1,220	$ 166
Cash paid for taxes	$ (13,610)	$ (11,574)

Supplemental disclosure with respect to cash flows (Note 15)

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, 2020	219,215,097	$ 83,523	$ 20,160	$ (257)	$ 78,089	$ 181,515
Shares issued on exercise of stock options (Note 11)	5,027,640	8,498	(3,174)	-	-	5,324
Share-based payments (Note 11)	-	-	11,056	-	-	11,056
Net earnings for the year	-	-	-	-	27,241	27,241
Balance at December 31, 2021	224,242,737	$ 92,021	$ 28,042	$ (257)	$ 105,330	$ 225,136
Shares issued on exercise of stock options (Note 11)	3,710,200	13,946	(5,664)	-	-	8,282
Shares issued on vesting of RSUs (Note 11)	21,459	111	(111)	-	-	-
Bought deal financing	5,405,500	38,324	-	-	-	38,324
Share issuance costs	-	(2,336)	-	-	-	(2,336)
Share-based payments (Note 11)	-	-	4,377	-	-	4,377
Net earnings for the year	-	-	-	-	35,523	35,523
Balance at December 31, 2022	233,379,896	$ 142,066	$ 26,644	$ (257)	$ 140,853	$ 309,306

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.

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 tonnes of ore mined or tonnes of ore processed over the estimated life of mine production. 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 licence area. In most instances, removal of assets and restoration of surrounding areas occurs many years into the future. This requires assumptions regarding the removal date of infrastructure, 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 assessment for 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.

No impairment indicators were identified by management as at December 31, 2022.

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 earnings 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 earnings 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.

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.

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. 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.

Inventories

Ore stockpile, concentrate and doré 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 licences

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 lease	Straight line 3 - 4 years
Infrastructure and equipment	Straight line 3 - 11 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 remaining life of the asset.

Mineral properties are carried at cost less accumulated depletion and impairment losses. The costs associated with acquiring and developing mineral properties, including expenses for mine development that provides access to additional sources of mineral reserves or resources, are capitalized to the mineral property. Once the mineral property is in production, it will be depleted based on the estimated life of mine production method. The costs of developing the mineral property are capitalized either on a per level basis or across the entire mine as appropriate. The capitalized costs are then depleted on the same basis over the estimated mine production per level or the entire life of mine.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Borrowing Costs

Borrowing costs directly related to the acquisition or construction of a qualifying asset are capitalized and added to the cost of the asset, until such time as the asset is substantially complete and ready for its intended use. Where funds are borrowed to specifically finance a project, the amount capitalized represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using the weighted average cost applicable to relevant general borrowing of the Company during the period. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Revenue Recognition

Revenue from the sale of gold concentrate and doré is recognized when the Company transfers control of the asset to the customer. Indicators of transfer of control: that the Company has the present right to payment; the customer has legal title; physical possession has been transferred to the customer; the customer has the risk and rewards of ownership; and customer acceptance.

Concentrate sales

The transfer of control occurs when the gold concentrate is assayed and delivered to a holding yard in Lae, Papua New Guinea, where it is stored and clearly marked in the name of the buyer, at which point the Company can provide a provisional invoice to the buyer for the sale.

The Company's contracts with customers provide for a provisional payment based on provisional assays and quoted metal prices. Final settlement is based on the final assays and market prices determined over a specified quotational period, which is typically three months after vessel departure from the port of Lae, Papua New Guinea. Revenue is recorded at the estimated amount to be received when the criteria for revenue recognition are met, and adjustments are made to settlements receivable in subsequent periods based on fluctuations in market prices until the date of final metal pricing. Any subsequent changes in the fair value of settlements receivable are recorded in revenue, but they are shown separately from revenue arising from contracts with customers, which is disclosed separately in the notes to the financial statements.

Doré sales

The transfer of control and sale of the gold doré occurs on the date of settlement, which is the date when risk and title to the inventory have passed to the buyer.

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 for 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).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial assets (cont'd…)

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 receivables 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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 composed 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.

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 composed 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**"), performance share units ("**PSUs**") 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

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

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

4. RECEIVABLES

As at	December 31, 2022	December 31, 2021
Trade receivables	$ 15,462	$ 16,748
GST receivable	13,474	6,168
Other	321	333
Total	$ 29,257	$ 23,249

5. INVENTORIES

As at	December 31, 2022	December 31, 2021
Mine supplies, consumables and fuel	$ 20,806	$ 17,355
Ore stockpile	4,728	4,090
Concentrate and doré	2,976	3,966
Total	$ 28,510	$ 25,411

During the year ended December 31, 2022, the cost of inventory recognized as an expense in cost of sales amounted to $96.3 million (2021 - $83.3 million).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	December 31, 2022	December 31, 2021
Trade payables	$ 11,542	$ 9,808
Other accounts payable and trade related accruals	6,901	3,770
Employee accruals	8,593	6,027
Landowners’ compensation accrual	9,930	7,545
Total	$ 36,966	$ 27,150

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 that the prior owner of the Kainantu mine entered into with the Bilimoia Landowners Association Incorporation and certain landowners / clans listed in the agreement. The actual recipients of the compensation determined under the CA and landowners’ share of a sales royalty cannot be paid as required under the CA until the legitimate landowners are identified by the Papua New Guinean Land Titles Commission (“**LTC**”) and as such compensation payments have been accrued but not paid.

(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)[1]	Total
Cost						
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 – change 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
Additions	19,110	6,398	-	956	42,371	68,835
Disposals / write-downs	-	-	(1,164)	-	-	(1,164)
Reclamation– changes in estimate	2,791	-	-	-	-	2,791
Transfers	-	11,337	10,464	-	(21,801)	-
Balance, December 31, 2022	$ 96,781	$ 57,956	$ 39,899	$ 16,822	$ 37,040	$ 248,498
Accumulated depreciation						
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
Depreciation and depletion	3,136	4,467	7,856	5,434	-	20,893
Disposals / write-downs	-	-	(1,091)	-	-	(1,091)
Balance, December 31, 2022	$ 16,479	$ 10,458	$ 23,942	$ 7,161	$ -	$ 58,040
Carrying amounts						
As at December 31, 2021	$ 61,537	$ 34,230	$ 13,422	$ 14,139	$ 16,470	$ 139,798
As at December 31, 2022	$ 80,302	$ 47,498	$ 15,957	$ 9,661	$ 37,040	$ 190,458

[1] Construction in Progress at December 31, 2022 consists of $32.1 million (2021 - $14.1 million) in twin incline expansion costs and $4.9 million (2021 - $2.4 million) 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 and on December 6, 2022, the Government of Papua New Guinea granted an extension of ML 150 for a period of 10 years to June 13, 2034.

8. 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, 2022	December 31, 2021
Balance, beginning of year	$ 5,571	$ 3,040
Change in estimate	2,791	2,341
Accretion	116	190
Balance, end of year	$ 8,478	$ 5,571

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 discount rate of 13.4% (2021 – 7.0%) and an inflation rate of 6.3% (2021 – 4.9%). The underlying costs in the provision are calculated using the Papua New Guinea Kina as the reclamation costs will be incurred in Papua New Guinea. As such, the discount and inflation rate used in the calculation reflect the economic factors for Papua New Guinea.

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 constructive obligations for reclamation and closure work in the amount of $19.1 million (2021 - $7.0 million), with first expenditures anticipated in 2032. These future cash outflows have been discounted at the interest rate considered applicable in Papua New Guinea where the Company's properties are located.

9. LEASE 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, 2022, the Company incurred $1.3 million (2021 - $0.6 million) related to interest and finance expenses on the lease liabilities.

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

9. LEASE LIABILITIES (cont'd…)

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, 2022	December 31, 2021
Lease liabilities, beginning of year	$ 14,097	$ 2,545
Additions	956	14,866
Disposals	-	(1,281)
Payments	(6,193)	(2,610)
Interest expense	1,328	574
Adjustment on currency translation	(91)	3
Balance, end of period	$ 10,097	$ 14,097
Lease liabilities, current portion	$ 5,324	$ 4,797
Lease liabilities, non-current portion	$ 4,773	$ 9,300

The Company's lease liabilities at December 31, 2022 are summarized as follows:

	Within 1 Year	2-6 Years	Total
Future undiscounted lease payments	$ 6,152	$ 5,099	$ 11,251
Future finance charges	(828)	(326)	(1,154)
Total discounted lease liabilities	$ 5,324	$ 4,773	$ 10,097

10. 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, 2022 were as follows:

Contracts Outstanding	Quantity (ounces)	Strike Price ($/ounce)	Settlement Term[2]	Settlement Date
Gold call contracts – sold	9,201	$1,750	January 2023	March 31, 2023
Gold put contracts – purchased	9,201	$1,550	January 2023	March 31, 2023
Gold call contracts – sold	10,701	$1,797	February 2023	April 28, 2023
Gold put contracts – purchased	10,701	$1,597	February 2023	April 28, 2023
Gold call contracts – sold	7,521	$1,891	March 2023	May 31, 2023
Gold put contracts – purchased	7,521	$1,690	March 2023	May 31, 2023

[2] 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)

10. DERIVATIVE INSTRUMENTS (cont'd…)

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

For the year ended		December 31, 2022		December 31, 2021
Realized gain (loss)	$	(29)	$	757
Unrealized loss		(1,440)		(27)
Net realized gain (loss)	$	(1,469)	$	730

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

As at		December 31, 2022		December 31, 2021
Derivative assets	$	-	$	118
Derivative liabilities	$	(1,747)	$	(425)

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.

11. 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, 2022, the Company had 233,379,896 common shares issued and outstanding.

Share issuances

During the year ended December 31, 2022, the Company completed a brokered bought deal financing whereby the Company issued 5,405,500 common shares at a price of CAD$9.25 per common share for gross proceeds of CAD$50.0 million ($38.3 million). The Company paid CAD$2.5 million ($1.9 million) in cash commissions and CAD$0.5 million ($0.4 million) in professional fees related to the financing.

Except on the exercise of share options and the conversion of RSUs, no other shares were issued during the year ended December 31, 2022.

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

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

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, RSUs, and PSUs.

The Share Compensation Plan allows the Company to grant Options, RSUs and PSUs to its executive officers, directors, employees, and consultants. The total number of options and shares issuable under the Plan cannot exceed 9% of the issued and outstanding common shares, on a non-diluted basis, while the maximum number of common shares issuable through options cannot exceed 7% of the issued and outstanding common shares. For RSUs and PSUs, the total number of common shares that may be issuable cannot exceed 2% of the outstanding common shares at the time of grant.

Stock options

Stock option transactions are summarized as follows:

	Number Outstanding	Weighted Average Exercise Price (CAD)
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
Exercised	(3,710,200)	2.87
Forfeited	(104,600)	9.22
Outstanding, December 31, 2022	8,805,850	$ 5.06
Number currently exercisable	8,805,850	$ 5.06

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

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

Stock options (cont'd…)

The following incentive stock options were outstanding at December 31, 2022:

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	430,000	430,000	0.84	0.37
1.00 – 1.99	2,061,750	2,061,750	1.76	1.51
2.00 – 2.99	235,000	235,000	2.17	1.89
3.00 – 3.99	1,221,000	1,221,000	3.85	2.09
4.00 – 4.99	10,200	10,200	4.00	2.48
5.00 – 8.99	4,847,900	4,847,900	7.28	2.97
	8,805,850	8,805,850	5.06	2.35

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, 2022, the Company granted Nil stock options (2021 – 2,420,000). The following presents the weighted average assumptions used in the valuation of stock options:

For the year ended	December 31, 2022	December 31, 2021
Weighted average exercise price (CAD$)	$ -	$ 8.02
Weighted average fair value (CAD$)	$ -	$ 3.88
Risk-free interest rate	-	0.93%
Expected life of options	-	4.0 years
Annualized volatility	-	63.45%
Dividend rate	-	0.00%
Forfeiture rate	-	2.21%

The weighted average share price at the time of exercise for the year ended December 31, 2022 was CAD$8.50 (2021 – CAD$7.93).

During the year ended December 31, 2022, the Company recorded share-based payment expense of $0.7 million (2021 – $11.1 million) related to the stock options.

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

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

Restricted share units

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. At the discretion of the Company, RSUs can be settled in either cash or common shares, or a combination of both. RSUs are recorded at fair value based on the Company's share price on the date of grant, adjusted for an estimated forfeiture rate, and then charged to share-based compensation over the period during which the RSUs vest.

During the year-ended December 31, 2022, the Company granted 666,358 RSUs. The estimated fair value of $3.7 million is being recognized over the vesting period.

	Number Outstanding	Fair Value
Outstanding, December 31, 2020	-	$ -
Granted	150,213	833
Outstanding, December 31, 2021	150,213	$ 833
Granted	666,358	3,747
Vested and converted to common shares	(21,459)	(119)
Forfeited	(13,707)	(71)
Outstanding, December 31, 2022	781,405	$ 4,390

During the year ended December 31, 2022, the Company recorded a share-based payment expense of $1.9 million (2021 – $40 thousand) related to the vesting of RSUs.

Performance Share Units

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. The vesting of the PSUs is based on the Company's share performance in comparison to its peer group with the final number of vested PSUs ranging from 25% to 150% of the initial PSUs granted. At the discretion of the Company, PSUs can be settled in either cash or common shares, or a combination of both.

PSUs are recorded at fair value based on a Monte Carlo pricing model at the date of grant, adjusted for an estimated forfeiture rate, and then charged to share-based compensation over the period during which the PSUs vest. For the fair value calculation of granted PSUs during the year ended December 31, 2022, the Monte Carlo pricing model used historical share price volatility ranging from 54% to 61% (2021 – None), historical share price volatility of its peer group ranging from 38% to 47% (2021 – None) and a Canadian risk-free rate from 2.0% to 3.5% (2021 – None).

During the year ended December 31, 2022, the Company granted 780,006 PSUs. The estimated fair value of $3.5 million is being recognized over the vesting period.

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

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

Performance share units (cont'd…)

	Number Outstanding	Fair Value
Outstanding, December 31, 2021	-	$ -
Granted	780,006	3,536
Forfeited	(20,563)	(85)
Outstanding, December 31, 2022	759,443	$ 3,451

During the year ended December 31, 2022, the Company recorded a share-based payment expense of $1.7 million (2021 – $Nil) related to the vesting of PSUs.

Earnings per share

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

For the year ended	December 31, 2022	December 31, 2021
Income for the year	$ 35,523	$ 27,241
Basic weighted average number of shares outstanding	229,007,329	221,464,618
Effect of dilutive securities:		
Stock options	3,182,116	5,332,748
Restricted share units	548,342	7,292
Performance share units	600,107	-
Diluted weighted average number of shares outstanding	233,337,894	226,804,658
Earnings per share		
Basic	$ 0.16	$ 0.12
Diluted	$ 0.15	$ 0.12

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

12. 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, 2022		At December 31, 2021	
	Level 1	Level 2	Level 1	Level 2
Trade receivables (Note 4)	$ -	$ 15,462	$ -	$ 16,748
Derivative assets (Note 10)	-	-	-	118
Derivative liabilities (Note 10)	-	(1,747)	-	(425)
	$ -	$ 13,715	$ -	$ 16,441

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, 2022.

As at December 31, 2022 and 2021, the carrying amounts of cash and cash equivalents, other 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 and trade receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions.

Liquidity risk

The Company has in place a planning and budgeting process to manage its liquidity risk and ensure it has sufficient liquidity to meet liabilities when due. As at December 31, 2022, the Company had a cash and cash equivalents balance of $109.9 million (2021 - $71.3 million), operating cash-flow for the year ended December 31, 2022 of $73.1 million (2021 – $61.2 million) to settle current liabilities of $48.2 million (2021 - $33.0 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)

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

Financial risk factors (cont'd…)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company's financial assets that are exposed to interest rate risk consist of cash and cash equivalents balances. The Company's current policy is to invest excess cash in highly liquid short-term interest-bearing investments issued by its banking institutions. The following outlines the impact to pre-tax earnings (loss) of a 1% change in interest rates on cash and cash equivalent balances held as of December 31, 2022:

	Impact of price change on pre-tax earnings (loss)	
	1% increase	1% decrease
Interest income	$ 646	$ (646)

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.

The following table outlines the impact to pre-tax earnings (loss) of a 10% change in foreign exchange rates on cash and cash equivalent balances held in currencies other than the United States Dollar as of December 31, 2022:

	Impact of price change on pre-tax earnings (loss)	
	10% increase	10% decrease
Cash and cash equivalents	$ 5,921	$ (5,921)

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. As at December 31, 2022, the fair value of trade receivables was calculated using an estimated forward gold price of $1,818 per ounce (2021 - $1,853 per ounce) and using an estimated forward copper price of $3.79 per pound (2021 - $4.37 per pound).

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

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

Financial risk factors (cont'd…)

Market risk (cont'd…)

c) Price risk (cont'd…)

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, 2022:

	Impact of price change on pre-tax earnings (loss)	
	10% increase	10% decrease
Trade receivables – gold	$ 7,463	$ (7,463)
Trade receivables – copper	$ 922	$ (922)

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, 2022:

	Impact of price change on pre-tax earnings (loss)	
	10% increase	10% decrease
Derivative assets and liabilities (net)	$ (4,806)	$ 2,159

13. 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 Expansion Project. Capital is composed 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.

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

14. 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.

Year ended December 31, 2022	Kainantu Project	Corporate & Other	Total
Net earnings (loss)	$ 47,223	$ (11,700)	$ 35,523
Capital expenditures	$ 68,242	$ 593	$ 68,835
As at December 31, 2022			
Property, plant and equipment	$ 188,872	$ 1,586	$ 190,458
Total assets	$ 267,104	$ 103,611	$ 370,715
Total liabilities	$ 57,683	$ 3,726	$ 61,409

Year ended December 31, 2021	Kainantu Project	Corporate & Other	Total
Net earnings (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

15. SUPPLEMENTAL CASH FLOW INFORMATION

As at	December 31, 2022	December 31, 2021
Cash and cash equivalents		
Cash	$ 69,615	$ 50,050
Cash equivalents	40,323	21,220
Total	$ 109,938	$ 71,270

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

15. SUPPLEMENTAL CASH FLOW INFORMATION (cont'd…)

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

For the year ended		December 31, 2022		December 31, 2021
Change in accounts payable related to capital projects	$	(1,345)	$	1,562
Change in deposits on equipment	$	1,933	$	82
Estimate of the reclamation and closure cost obligations	$	2,791	$	2,341
ROU assets (net of disposals)	$	855	$	13,415

16. REVENUE

For the year ended		December 31, 2022		December 31, 2021
Gold in concentrate	$	177,423	$	159,531
Copper in concentrate		20,722		10,596
Silver in concentrate		1,431		654
Gold and silver in doré		11,876		-
Treatment and refining charges		(7,103)		(5,128)
Revenue from contracts with customers		204,349		165,653
Loss on receivables at fair value		(16,163)		(11,327)
Total	$	188,186	$	154,326

17. COST OF SALES

For the year ended		December 31, 2022		December 31, 2021
Direct mining and milling	$	20,421	$	17,937
Maintenance		16,487		12,053
Other site costs		32,352		27,741
Net smelter royalties		5,040		4,107
Change in inventories		352		1,472
		74,652		63,310
Non-cash costs				
Depreciation and depletion		20,450		14,113
Share-based payments		1,170		5,874
Total	$	96,272	$	83,297

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

18. GENERAL AND ADMINISTRATIVE

For the year ended		December 31, 2022		December 31, 2021
Management, consulting and wages	$	4,741	$	4,546
Professional fees		333		329
Office, filing and administrative		652		419
Travel		387		95
Investor relations		587		589
Depreciation		111		103
Total	$	6,811	$	6,081

19. INTEREST AND FINANCE EXPENSE

For the year ended		December 31, 2022		December 31, 2021
Interest and amortization of transaction costs on loan	$	-	$	147
Interest on lease liabilities		1,329		574
Other interest		1,890		908
Accretion of reclamation and closure cost obligations		116		190
Total	$	3,335	$	1,819

20. INCOME TAXES

Income tax expense

The Company’s income tax expense is composed of the following:

		December 31, 2022		December 31, 2021
Current income tax expense	$	17,096	$	12,753
Deferred income tax expense		7,152		6,601
Income tax expense	$	24,248	$	19,354

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

20. INCOME TAXES (cont'd…)

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, 2022		December 31, 2021
Income for the year, before taxes	$	59,771	$	46,595
Statutory Canadian income tax rate		27%		27%
Expected income tax	$	16,138	$	12,581
Permanent differences		1,940		3,514
Difference in tax rates of foreign jurisdictions		2,156		1,880
Change in unrecognized deductible temporary differences		2,019		1,116
Foreign exchange on translation of deductible temporary differences		(94)		32
Other		2,089		231
Income tax expense	$	24,248	$	19,354

Deferred income taxes

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

		December 31, 2022		December 31, 2021
Deferred income tax asset	$	8,892	$	15,008
Deferred income tax liability		(6,302)		(5,234)
Net deferred income tax asset	$	2,590	$	9,774

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

		December 31, 2022		December 31, 2021
Property, plant and equipment	$	7,318	$	12,455
Reclamation and closure cost obligations		-		1,639
Accounts payable and accrued liabilities		1,394		871
Lease liabilities		180		43
Inventory, mine supplies, consumables and fuel		(6,302)		(5,234)
Net deferred income tax asset	$	2,590	$	9,774

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

20. INCOME TAXES (cont'd…)

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

	December 31, 2022	December 31, 2021
Balance, beginning of the year	$ 9,774	$ 16,375
Movement during the year		
Property, plant and equipment	(5,096)	(5,841)
Other	(2,150)	(728)
Foreign exchange on translation of deductible temporary differences	62	(32)
Balance, end of the year	$ 2,590	$ 9,774

The Company has tax losses in Canada of approximately $51.5 million (2021 – $49.0 million) expiring in various amounts from 2036 to 2042. 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.

21. RELATED PARTY TRANSACTIONS

Key management consists of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, President, 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, 2022	December 31, 2021
Share-based compensation	$ 3,015	$ 2,866
Management, consulting and wages	3,612	2,469
Professional fees	257	108

Included in accounts payable and accrued liabilities is $0.9 million (December 31, 2021 - $0.9 million) due to key management of the Company, of which $0.3 million (December 31, 2021 - $0.3 million) is due to Mining, Processing and Project Consulting Pty Ltd. which is owned by the CEO and Director for management services and $0.2 (December 31, 2021 - $0.1 million) is due to the law firm Gowling WLG (Canada) LLP, where one director of the Company is a partner, for professional fees in the normal course of business, non-interest bearing and due on demand.

22. COMMITMENTS

Off-take agreement

The Company's concentrate off-take agreement requires the delivery of 100% of concentrate produced at market prices until February 12, 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, 2022, the buyer has purchased 54,771 dry metric tonnes (2021 – 34,807 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, 2022, the Company recorded a total royalty and levy expense of $5.0 million (2021 - $4.2 million).