("K92" or "the Company")

FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX AND THREE-MONTH PERIOD ENDED JUNE 30, 2017

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 month periods ended June 30, 2017. The MD&A takes into account information available up to and including August 28, 2017 and should be read together with the condensed consolidated interim financial statements for the period ended June 30, 2017 and the audited consolidated financial statements for the period ended December 31, 2016, 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. (formerly Otterburn Resources Corp.) (the "**Company**") was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on March 22, 2010. The Company's shares are listed on Tier 1 of the TSX Venture Exchange ("**TSX-V**") under the symbol KNT. The Company is currently engaged in the exploration and development of mineral deposits in Papua New Guinea, specifically the Kainantu Gold Mine that includes the Irumafimpa and Kora deposits.

Performance Summary and Subsequent Events

During the three-month period ended June 30, 2017, the Company:

- Completed a brokered and non-brokered private placement by issuing 20,693,250 units at a price of CAD$0.80 per unit for gross proceeds of CAD$16,554,600. Each unit consisted of one common share and one share purchase warrant exercisable for one year at a price of CAD$1.05. In connection with the offering, the Company issued finder's fee warrants with a fair value of $236,351 with the same terms as above and paid cash of $887,689.

  Insiders: Bryan Slusarchuk, 93,750; J. Stalker Discretionary Settlement (Ian Stalker), 62,500; John Lewins, 94,000; R. Stuart Angus, 93,750; Red Fern Consulting Ltd. (Justin Blanchet), 18,750.

- Appointed John Lewins as Chief Executive Officer. Mr. Lewins is a mineral engineer with 35 years of international leadership experience in the mining industry. He has held senior positions with companies operating in Africa, Australia, Asia, North American, and the former Soviet Union.

  Prior to his appointment as K92 CEO, Mr. Lewins has been a director and COO of K92. In addition to his corporate leadership role to date, he has been guiding K92's production restart, has overseen all site operations, and has led initiatives such as the publishing of the Kora preliminary economic assessment and the redevelopment of the Irumafimpa mine plan.

- Held their annual AGM on May 24, 2017 whereby all seven individuals nominated by the Board of Directors were elected, appointed PricewaterhouseCoopers LLP as auditor, and approved the stock option plan.

Subsequent to June 30, 2017, the Company:

- Purchased and transferred 675 ounce gold credits to CRH to satisfy payment as outlined under the CRH loan.

- Sold gold concentrate for $2,038,582, net, subject to final review of material.

Community Relations

Recently, the newly formed Bilimoia Interim Landholders Association (BILA), which represents one of the landholder groups in the region, has alleged that it has not had an adequate share of employment and contractor opportunities. This has been refuted by K92, and the Company has sought to engage with BILA through the auspices of the Mineral Resources Authority (MRA), the government body responsible for all aspects of the mining industry, including community relations.

As a matter of background, the Bilimoia Interim Landowners Association was established in 2017 with the assistance of the MRA to bring together different Bilimoian groups into one association and the chairman was elected in April, 2017. The association is termed interim as finalization of who constitutes Bilimoian landowners awaits the outcome of an appeal of the Land Titles Commission's determination of 2009.

K92 understands that the first meeting of this interim association with the landowners occurred on Sunday, Aug. 13, 2017, and understands that the meeting was to deal with internal issues for BILA and its stakeholders. K92 understands that the BILA is still to determine whether it will use the existing Bilimoia Development Corp. (Bildevco) or a new business entity to participate in business opportunities created by the company and its suppliers. However, this is a matter for BILA to decide internally and is not a matter for K92 to decide upon.

Additional to the direct employment opportunities at the mining, maintenance and processing operations, there are currently many other business ventures which Bildevco and Bilimoian landowners are participating in, including the mine catering contract, provision of security services and refuse collection, as well as numerous small-business opportunities, including maintenance, supply of mobile plant and installation of infrastructure. Additionally, K92 will continue to train and develop the work force, especially local landowners, bringing mining knowledge and mining skills to the local communities for the benefit of not only these communities, but also the mine.

The expansion of the business opportunities of which K92 has identified a number, has been awaiting the formation of a single Bilimoian body to represent the landowners, which was only recently solved with the formation of BILA, and still awaits the decision of BILA in relation to the business entity.

A meeting was arranged by the MRA between Papua New Guinea's national, provincial and local government agencies, BILA and the company. On the morning of Thursday, Aug. 24, 2017, prior to the meeting commencing on site, a group of landowners represented by BILA entered the mine through the 800 mine portal. The company removed its staff from the area in an attempt to diffuse the situation without incident. However, during its presence, the group caused major damage to two trucks and one small loader/IT, as well as three light vehicles and an underground fixed plant.

No other areas of the mine or any areas around the processing facilities were impacted by the group and no other damage was reported. The company is currently assessing the full impact of the damage; however, it anticipates that there will be a disruption to operations as the damaged equipment is evaluated and then fixed or replaced.

K92 remains committed to all existing agreements with all landowner groups and to expanding the business opportunities for the landowner groups. In addition, K92 has contributed to numerous community projects and intends to expand this involvement as the K92 operation grows.

K92 has received strong support from the various landowner groups associated with this region since acquiring the project and during the restart. Following the above incident, the company has been in communications or held meetings with the MRA and the various government agencies, all of which have confirmed their support for the Company and to continuing to assist to resolve the issues with the landholder group.

Change in year-end

During the four months ended December 31, 2016, the Company approved a change in its year-end from August 31st to December 31st. The Company's transition period is the four months ended December 31, 2016. The comparative period is the three and six months ended May 31, 2016. The new financial year aligns the Company with its peers and the statutory requirements of Papua New Guinea.

The length and ending date of the periods, including the comparative periods, of the interim and annual financial statements to be filed for the transition year and new financial year are:

Transition Year	Comparative Annual Financial Statements to Transition Year	New Financial Year	Comparative Annual Financial Statements to New Financial Year	Interim Periods for Transition Year	Comparative Interim Periods to Interim Periods in Transition Year	Interim Periods for New Financial Year	Comparative Interim Periods to Interim Periods in New Financial Year
4 months ended 12/31/2016	12 months ended 8/31/2016	12/31/2016	4 months ended 12/31/2016 and 12 months ended 8/31/2016	N/A	N/A	3 months ended 03/31/2017 6 months ended 06/30/2017 9 months ended 09/30/2017	3 months ended 02/29/2016 6 months ended 05/31/2016 9 months ended 08/31/2016

For additional information see Notice filed on SEDAR on October 14, 2016.

Outlook

K92 has completed the refurbishment of the Kainantu mine and mill, and restarted the Irumafimpa mine project in Papua New Guinea and expects to ramp up gold pre-production in 2017. The Company continues toward declaring commercial production.

In addition, the Company intends to complete the underground incline drive from Irumafimpa to Kora with testing to be undertaken along the way.

Mineral Property Summary

Kainantu Gold Mine – Irumafimpa Deposit

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.

K92 has, up until recently, been mining from development areas. Now, K92 is also mining from production stopes where higher gold and copper grades are anticipated.

Long-hole stope production has commenced from the newly developed 1235mRL to 1250mRL stope area.

Additionally, extraction of material from planned stopes 1205S, 1220S and 1235S, which were awaiting geotechnical input from independent consultants to finalize the design and extraction schedules, is scheduled to commence in the coming quarter. Extraction in this area will apply a combination of long-hole stoping and flatbacking (cut and fill) depending on access and geotechnical considerations.

Development above the 1250 mRL is planned in the current quarter, which is anticipated to provide development feed to the mill from the 1250 and 1265 mRL levels, with commencement of stoping from these levels in Q4 2017.

Further, grade-control drilling has identified additional stoping material below the previously planned lower limit of 1205 mRL, and planning is under way to commence accessing this area in Q4 2017. Further grade-control drilling is also planned in this area as the limits to the downdip extension of the mineralization has yet to be determined.

To date, approximately 7,000 metres of grade control drilling have now been completed at Irumafimpa, which means the company has grade-control drilling for the next three months of production. Continuing with grade-control drilling and staying ahead of production are key within K92's strategy of efficiently mining Irumafimpa.

Kainantu Gold Mine – Kora Deposit

K92 has completed the first 150 metres of development of the Kora exploration drive and footwall drive designed to allow more efficient and effective diamond drilling of the projected Kora vein system. The first drill cuddy (underground set-up) is almost completed and drilling is scheduled to commence shortly.

Based on this recent high-grade discovery of the Kora extension, the design of the Kora exploration drive was enhanced to incorporate the development of a footwall drive approximately 50 metres from the projected strike of the Kora vein system. This modification allows the development of drill cuddies approximately 100 metres closer to the interpreted position of the Kora vein system than previously planned, based on the results from diamond drill hole KMDD0009, which recorded an intersection of 5.4 metres at 11.68 g/t (grams per tonne) gold, 25.5 g/t silver and 1.33 per cent copper from 154 metres downhole, interpreted to be the discovery of an extension of the Kora deposit.

The KMDD0009 intersection is approximately 500 metres along strike and 150 metres downdip from the closest point of the currently defined Kora deposit inferred resource and is typical of the Kora/Eutompi mineralization.

The current Kora/Eutompi inferred resource, as defined by previous drilling to date, is 4.36 million tonnes at a grade of 7.3 g/t gold, 35 g/t silver and 2.23 per cent copper, or 11.2 g/t AuEq (gold equivalent).

The interpreted strike length of the Kora/Eutompi vein system is approximately 1,100 metres at surface, but, potentially, based on limited drill testing to date, this reduces at depths greater than 200 metres to 500 metres of strike length, although it is open for expansion both at depth and along strike in both directions. The deepest intersection in hole BKDD0023 (drilled by Barrick Gold Corp. and previously disclosed) is 900 metres below the surface outcrop of the vein system and almost 500 metres below the deepest inferred resource. The KMDD0009 intersection is approximately 700 metres below the surface and 500 metres along strike from BKDD0023, which intersected 30.6 metres (7.9 metres true width) at two g/t gold, 4.8 g/t silver and 1.3 per cent copper, including 6.4 metres (1.7 metres true width) at 5.52 g/t gold and eight metres (2.1 metres true width) at 3.7 per cent copper, from 920.8 metres.

Exploration

The Company commenced a major exploration program on ELs (exploration leases) 683 and 470 immediately to the north and west of the Company's ML 150. The program is designed to follow up previous work on anomalous drainage sampling results which indicated that the mineralized structures present in ML 150 continued to the north across the Baupa River toward the processing plant. The fieldwork commenced in late January 2017 and the first phase of the work includes:

- Establishment of an exploration camp close to the Kokomo village;
- Prospecting, sampling, mapping and assessment of the mineralized veins on the northern side of Baupa River;
- Mapping of the geology within the drainage systems and surface exposures, and linking them with the prospected veins;
- Conducting a ridge and spur soil sample survey for indications of anomalous geochemical dispersion from the auriferous veins across a select number of ridges and spurs;
- Trenching along the length of identified veins to establish widths, grades and strike extent;
- Conducting a land boundary survey concurrent with the field exploration work in close collaboration with the Community Affairs Department and knowledgeable Pomasi elders.

Although the exploration program is in very early stages, numerous quartz veins have been identified, which are potentially extensions of the known mineralized vein systems (Irumafimpa/Kora, Judd and Karempa) encountered within ML 150.

In addition a new vein system termed the Kokomo vein has been identified in the main access incline striking north into the current exploration area. Initial samples from the Kokomo vein within ML 150 have been assayed and have high grades of gold and silver as do multiple samples from potential extensions of the vein swarm onto EL 693.

Chris Muller, BSc, P. Geo, 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.

Results of Operations for the six month period ended June 30, 2017

During the six month period ended June 30, 2017, the Company incurred a loss of $6,673,034 as compared to a loss of $5,063,089 for the six months ended May 31, 2016. Significant items making up the loss, and changes from prior periods, are as follows:

A decrease of mine site administration expense to $Nil (May 31, 2016 - $1,785,099). Effective December 1, 2016 the Company began capitalizing Mine Development costs to Property, plant and equipment, as the accounting criteria for capitalization had been met.

An increase of consulting and administrative of $61,243 to $1,013,889 (May 31, 2016 – $952,646). Which is comparable to prior year and consists of management, corporate office consultants, and financial advisory services.

Fair value gain on gold purchase agreement of $1,657,385 (May 31, 2016 – $Nil). 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.

Amortization of deferred loss of $2,185,826 (May 31, 2016 - $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 3,000 gold ounce credits to CRH.

Summary of Quarterly Results

The following table summarizes the three month period ended June 30, 2017, the four-month period ended December 31, 2016 and the quarterly results for each of the previous six quarters:

		June 30, 2017		March 31, 2017		December 31, 2016		August 31, 2016
Total assets	$	41,732,823	$	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 (deficiency)		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)		(0.05)		(0.04)		(0.16)
		May 31, 2016		February 29, 2016		November 30, 2015		August 31, 2015
Total assets	$	8,581,343	$	5,032,934	$	4,452,318	$	4,645,432
Working capital (deficiency)		(1,056,120)		(4,118,315)		(4,158,525)		(3,217,152)
Shareholders equity (deficiency)		(594,136)		(3,235,342)		(2,185,249)		(1,160,562)
Net income (loss)		(4,012,996)		(1,050,093)		(1,024,687)		(753,746)
Net income (loss) per share		(0.08)		(0.02)		(0.02)		(0.02)

The increase in net loss for the period ended March 31, 2017 primarily relates to the net fair value adjustment to the CRH financing and the amortization of deferred loss.

Results of Operations for the three month period ended June 30, 2017

During the three month period ended June 30, 2017, the Company incurred a loss of $1,035,441 as compared to a loss of $4,012,996 for the quarter ended May 31, 2016. Significant items making up the loss, and changes from prior periods, are as follows:

A decrease of mine site administration expense to $Nil (May 31, 2016 - $1,476,106). Effective December 1, 2016 the Company began capitalizing Mine Development costs to Property, plant and equipment, as the accounting criteria for capitalization had been met.

A decrease of consulting and administrative of $100,574 to $455,351 (May 31, 2016 – $555,925). As certain costs incurred in Q1 were not on going and resulted in a decrease as compared to prior year.

Fair value loss on gold purchase agreement of $234,766 (May 31, 2016 – $Nil). 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.

Liquidity

As at June 30, 2017, the Company had a working capital deficit of $2,718,358 (December 31, 2016 – $4,928,922). This balance included a cash balance of $7,803,895 (December 31, 2016 - $4,291,697) to settle current liabilities of $14,785,821 (December 31, 2016 - $10,532,282).

The Company continues to work towards the declaration of commercial production at the Irumafimpa mine. In March 2017 the Company began pre-production activities and to date has sold gold concentrate produced during pre-production totaling $2,615,655.

Operating Activities: The Company does not currently generate cash from operating activities. Net cash used by the Company for operating activities, for the period ended June 30, 2017 was $2,286,783 compared to $5,390,451 for the period ended May 31, 2016.

Investing Activities: During the period ended June 30, 2017, the Company purchased $8,874,103 in property, plant, and equipment including $48,875 in lease payments.

Financing Activities: During the period ended June 30, 2017 included the issuance of capital stock for $18,047,207. In addition, the Company had warrants ($1,095,111) and stock options ($31,167) exercised and purchased 3,000 gold credits for $3,765,600 that was transferred to CRH as per the GPA.

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. 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.

Related Party Transactions

Key management compensation

During the period ended June 30, 2017, the Company paid or accrued:

a) Consulting fees of $144,000 (May 31, 2016 - $75,000) to a director and former CEO of the Company, $50,400 (May 31, 2016 – $45,000) to the CFO of the Company, $131,400 (May 31, 2016 - $120,000) to the CEO, director and former COO of the Company, $Nil (May 31, 2016 - $30,000) to the former COO of the Company, $37,500 (May 31, 2016 - $31,250) to the Chairman of the Board, and $108,000 (May 31, 2016 – $48,000) to the president of the Company. The Company also paid professional fees of $9,066 (May 31, 2016 - $6,155) to a Company related to the CFO.

b) Share-based payments of $857,323 (May 31, 2016 - $32,397) to the officers and directors of the Company was recorded.

Included in accounts payable and accrued liabilities is $93,696 (December 31, 2016 - $4,951) 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 157,535,279 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
7,092,600	$	0.45	May 20, 2021
100,000		1.93	July 29, 2021
3,198,000		1.00	December 5, 2021

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

Number	Exercise price (CAD)		Expiry date
9,770,003	$	0.50	November 20, 2017
7,078,255		1.50	July 20, 2017
1,829,061		1.75	July 25, 2017
14,386,666		1.00	March 21, 2018
17,867,660		1.05	June 27, 2018

Contractual Obligations

As at August 28, 2017 the Company had the following contractual obligation:

Rental Commitments

The Company has commitments related to the minimum rental and operating expenses payments for the Company's office space in downtown Vancouver. The lease was effective July 1, 2016 and concludes on March 29, 2018. These commitments in each of the next two years to the conclusion of the lease period are approximately as follows:

Year incurred	Amount	
2017	$	36,121
2018		27,091
Total commitments	$	63,212

Off-Balance Sheet Arrangements

At June 30, 2017, 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

The Company has no commitments for capital expenditures at the date of this report.

The Company will continue to seek capital. 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

There was no new significant accounting policies adopted during the period ended June 30, 2017.

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 Billmoia Landowners Association Incorporation ("**BLA**") and certain landowners / clans listed in the agreement. The actual recipients of the compensation determined under the CA and landowners' share of sales royalty could not be paid as required under the CA until the legitimate landowners were identified by the Papua New Guinean Land Titles Commission ("**LTC**") and so compensation payments have been accrued but not paid.

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 March 31, 2017 was $551,469 (1.75 million Papua New Guinea Kina), 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 condensed consolidated interim financial statements.

Acquisition accounting

The Company accounted for the Acquisition of Barrick (Kainantu) Limited as an asset acquisition. Significant judgment and estimates were required to determine that the application of this accounting treatment was appropriate for the transaction. These included, among others, the determination that Barrick (Kainantu) Limited was not considered a business under IFRS 3: Business combinations, the basis for the calculation of the fair value of the consideration transferred and the estimate of the fair value of the net assets acquired.

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.

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, 2017, the Company had a cash and cash equivalents balance of $7,803,895 (December 31, 2016 - $4,291,697) to settle current liabilities of $14,785,821 (December 31, 2016 - $10,532,282). 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, 2017, 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.

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 and ore production. 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."