

K92 Mining Announces Record Tonnage Treated in Second Quarter With Gold Production 25% Above Budget From Kainantu Gold Mine

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Q2 2019 Production highlights include:

- Q2 production of 18,980 oz of gold, 261,800 lbs copper and 6,894 oz silver for a total of 19,652 gold equivalent (“AuEq”) oz
- Tonnage treated through the process plant increased by over 40% from the previous record quarter to 37,913 tonnes, at average grade of 16.7 g/t gold and 0.34% copper, achieving recoveries of 93.2% for gold and 92.5% for copper
- Kainantu Mine achieves three years without a lost time injuries (LTI’s) during Q2
- Production for first half of 2019 (“H1 2019”) is a record of 38,106 oz of gold, 525,900 lbs copper and 12,458 oz silver for a total of 39,437 AuEq oz

VANCOUVER, British Columbia, July 02, 2019 -- [K92 Mining Inc.](#) (“K92” or the “Company”) (TSX-V: KNT; OTCQX: KNTNF) is pleased to announce record throughput in Q2, with production 25% above budget at 19,652 oz AuEq for the second quarter of 2019 (“Q2”) at its Kainantu Gold Mine in Papua New Guinea.

During Q2, K92 produced 18,980 oz of gold, 261,800 pounds of copper and 6,894 oz of silver or 19,652 AuEq oz (based on a gold price of US \$1,300/oz; silver US \$16.5/oz; copper US \$2.90/lb). Production for the first half of 2019 (“H1”) was 39,437 AuEq oz compared with production of 47,237 for the entire year in 2018. Recoveries for H1 averaged 93.4% for gold and 93.2% copper.

Mining operations in Q2 continued to focus on Kora North and comprised cut and fill stope mining from the K1 vein from the 1185 and 1205 mRL level as well as development tonnes from the K2 vein on the 1170 mRL level and K1 on the 1205 mRL level.

The blend of primarily K1 material with some K2 material provided an average head grade to the process plant for Q2 of 16.7 g/t Au and 0.34% Cu. The gold head grade was above and the copper grade below the anticipated long-term average grades. The above average gold grades are the result of a combination of lower dilution being achieved in the stope and development mining combined with a higher proportion of K1 treated during the quarter, while the below budget copper grades are the result of treating a higher proportion of K1.

Financial details and a potential update of the annual production guidance for 2019 will be available in the Company’s upcoming Q2 financial report.

Table 1 – Q2 & H1 2019 and 2018 Annual Production Data

		2018 Total	Q1 2019	Q2 2019	H1 2019
Tonnes Processed	t	79,487	26,846	37,913	64,760
Feed Grade Au	g/t	19.13	23.6	16.7	19.58
Feed Grade Cu	%	0.38	0.48	0.34	0.40
Recovery (%) Au	%	93.68	93.7	93.2	93.5
Recovery (%) Cu	%	92.98	93.9	92.5	93.2
Metal in Conc Prod Au	Oz	45,810	19,125	18,980	38,106

Metal in Conc Prod Cu	t	277.27	119.78	118.73	238.51
Metal in Conc Prod Ag	Oz	10,069	5,564	6,894	12,458
Gold Equivalent Production*	Oz	47,237	19,788	19,652	39,437

John Lewins, K92 Chief Executive Officer and Director, stated, *“The production results for the second quarter have continued to demonstrate the ability of the team at Kainantu to deliver outstanding performance. Tonnes treated increased over 40% from the previous record quarter, while production of 19,652 oz AuEq was 25% above budget. The mine has now produced 39,437 oz AuEq for the first half of 2019, compared with 47,237 oz for the entire 2018, and is well on target to meet or exceed guidance of 68,000 to 75,000 oz AuEq for 2019.*

It is particularly pleasing that this has been achieved while the operating team is also working on our expansion project designed to double throughput and production. The metallurgical and project services team have almost completed the installation of the gravity circuit and gold room and will commence commissioning in July. The mining team has numerous mining projects either completed or underway, including the dewatering, ventilation upgrade, incline upgrade, bulk explosives mining system, portal workshop and many others.

In addition, we now have three underground diamond rigs and two surface diamond drill rigs working 24/7 on the expansion of the Kora/Kora North resource.

At the same time, it is extremely pleasing to announce that the mine celebrated three years without a lost time injury during the quarter.

The next six to twelve months promises to be an extremely exciting and transformational time for both the Kainantu Gold Mine and our Company.”

During Q1, the Company announced that a commencement of the expansion of the Kainantu Gold Mine in Papua New Guinea, with a goal of doubling current capacity to 400,000 tonnes per annum and increasing annual production to an average of 120,000 ounces of gold equivalent (oz AuEq).

Based on the preliminary economic assessment (“PEA”) published in January 2019, the major results from the decision to expand production include:

- Total Capital Expenditure for 2019 is projected to be US\$30 million, comprising US \$12 million in expansion capital, US \$8 million in sustaining capital and US \$10 million in capital development;
- Production is projected to be 68-75,000 oz AuEq in 2019 and 115-125,000 oz AuEq in 2020;
- Cash Costs are expected to be between US\$580 and US\$620 per oz AuEq, and All in Sustaining Costs (“AISC”) are expected to be US\$780 to US\$820 per oz AuEq in 2019, dropping to Cash Costs below US\$500 per oz AuEq and AISC below US\$700 per oz AuEq in 2020;
- Employment is expected to increase from the current 650 to 750 by the end of 2019, and to 800 by the end of 2020, with over 96% of all positions in-site being filled by PNG Nationals;
- Based on the results of the PEA:
 - Total production over the next 13 years would be 1.33 million oz gold and 130 million lbs copper;
 - Total Revenue for the period would be over US \$2 billion;
 - Royalty payments for the period would be US \$50 million;
 - Total tax paid to PNG Government for the period, from payroll and corporate tax, would total US \$300 million;
 - Total sustaining capital of US \$202 million would be required over the period; and
 - Net Cashflow would be US \$1.03 billion, the Net Present Value (“NPV₅”) would be US \$710 million pre-tax, or US\$559 million after tax, and the Internal Rate of Return (“IRR”) would be in excess of 350%.

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The Company’s decision to expand production is not based on a feasibility study of mineral reserves demonstrating the economic and technical viability of the expansion. As a result, there is increased uncertainty of the economic and technical risks of

failure associated with the decision.

K92 engaged H and S Consultants Pty Ltd to complete a Mineral Resource Estimate for the Kora North Deposit. This resource together with the previously reported Kora Mineral Resource Estimate dated March 2017 provide the resource base for the updated PEA.

K92 engaged Mincore Pty Ltd (“Mincore”) to complete a PEA for the expansion of the existing processing plant to double its capacity to approximately 400,000 tonnes per annum. The study found that the current crushing, milling and concentrate handling circuits have sufficient capacity to treat the Kora mine material at a rate of 400,000 tpa, subject to upgrading the crushing and flotation circuits and plant services. The estimated total cost of such expansion and upgrading would be US \$3.7 million, including EPC and commissioning with a contingency of 10%.

The technical report containing the PEA, titled, “Independent Technical Report, Mineral Resources Estimate Update and Preliminary Economic Assessment of Kora North and Kora Gold Deposits, Kainantu Project, Papua New Guinea” with an effective date of September 30, 2018 (the “Technical Report”) was prepared by Anthony Woodward BSc (Hons.), M.Sc., MAIG, Simon Tear BSc (Hons), EurGeol, PGeo IGI, EurGeol, Christopher Desoe BE (Min)(Hons), FAusIMM, RPEQ, MMICA, Lisa J. Park, BEng (Chem), GAICD, FAusIMM. Refer to the Company’s news release dated January 8, 2018 for a summary of the results of the PEA. The PEA can be found under the Company’s profile on SEDAR.

The Company engaged Australian Mine and Development Pty Ltd (“AMDAD”) to undertake the PEA mine plan for Kora and Kora North, which involved:

- applying financial and processing parameters to determine cut-off grades for stope design.
- generating three-dimensional stope shapes and mining inventory using the CAE Mineable Shape Optimiser (MSO) program.
- creating a conceptual development layout to suit the MSO inventory.
- producing a project cash-flow model.
- producing a simple mining schedule as input to the cash-flow model.

The key results from the PEA for the combined Kora North and Kora deposits are as follows:

- Could have a 13-year operating life and treat 4.9 million tonnes @ 9.0 g/t Au, 20 g/t Ag & 1.3% Cu (11.0 g/t Au Eq*);
- Could achieve an estimated pre-tax NPV of US\$710 million (US \$559 million after-tax) using current metal prices, exchange rate and a 5% discount rate;
- Initial capital cost estimated to be US\$13.6 million, including US \$3.7 million for the plant upgrade identified in the Mincore Scoping Study;
- The additional combined development and sustaining capital cost is estimated at US\$202 million spent over the life of mine;
- Operating cost per tonne estimated to be US \$163/tonne for the first five years and US\$153/tonne thereafter;
- Cash cost estimated to be US\$429/oz Au Eq (inclusive of a 2.5% Net Smelter Returns Royalty) and AISC of US \$615/oz Au Eq;
- Production of an estimated 135,000 Au oz and 2,100 Cu tonnes over a 5-year period from 2019 through to 2023, with average production of 90,000 Au oz and 6,500 Cu tonnes for the balance of the life of mine; and
- Current metal prices used were: Au – US \$1,300/oz; Ag – US \$15/oz; Cu – US \$2.90/lb.

*AuEq – calculated on above Current Metal Prices.

The Kora North resource estimate was defined after just twelve months of underground exploration drilling.

Table 2 - Kora North Mineral Resource Estimate

Global Mineral Resources Kora North Gold-Copper Mine - October 2018

Category	Tonnes Mt	Gold		Silver		Copper		AuEq	
		g/t	Mozs	g/t	Mozs	%	Mlbs	g/t	Mozs
Measured	0.15	18.7	0.09	8.9	0.04	0.5	1.6	19.6	0.09
Indicated	0.69	11.6	0.26	14.1	0.31	0.8	11.8	12.9	0.29
Total M & I	0.85	12.9	0.35	13.1	0.36	0.7	13.3	14.1	0.39
Inferred Total	1.92	10.7	0.66	13.3	0.82	0.7	29.5	11.9	0.74

M in table is millions.

Key Assumptions and Parameters

Mineralization comprises two parallel, steeply west dipping, N-S striking quartz-sulphide vein systems, K1 & K2, within an encompassing dilatant structural zone hosted by phyllite. An additional structure, the Kora Link, has also been defined and provides a possible link between the two main vein systems.

Underground drilling consists of diamond core for a range of core sizes depending on length of hole and expected ground conditions. Sampling is sawn half core under geological control and generally ranges between 0.5m and 1m. Underground face sampling is completed for every fired round and is to industry standard.

QAQC data indicated no significant issues with the accuracy of the on-site analysis.

Core recovery of the mineral zone was initially 90%, this has improved to >95%. There is no relationship between core recovery and gold grade. Geological logging is consistent and is based on a full set of logging codes covering lithology, alteration and mineralization.

The geological interpretation of the vein systems is represented as 3D wireframe solids snapped to a combination of diamond drillhole data and underground face sampling. Definition of the wireframes is based on identified gold mineralisation in drillcore nominally at a 0.2g/t Au cut off in conjunction with geological control/sense and current mining widths.

Gold Equivalent (AuEq) g/t was calculated using the formula $Au\ g/t + (Cu\% \times 1.53) + Ag\ g/t \times 0.0127$. (No account of metal recoveries through the plant have been used in calculating the metal equivalent grade. However, production is currently achieving 93% metal recovery for both gold and copper and gold is currently providing 95% and copper 5% of the total revenue of the mine).

Gold price US \$1,300/oz; Silver US \$16.5/oz; Copper US \$2.90/lb.

The mineral resource estimate for the Kora deposit is based on the technical report prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“NI 43-101”), and titled, “Mineral Resource Update and Preliminary Economic Assessment of Irumafimpa and Kora Gold Deposits, Kainantu Project, Papua New Guinea," with an effective date of March 2, 2017. This provides additional information on the geology of the deposits, drilling and sampling procedures, lab analysis, and quality assurance/quality control for the project, and additional details on the resource estimates. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table 3 – Irumafimpa and Kora/Eutompi Resource Estimates

Resource by Deposit and Category										
Deposit	Resource Category	Tonnes	Gold		Silver		Copper		Gold Equiv	
		Mt	g/t	Moz	g/t	Moz	%	Mlb	g/t	Moz
Irumafimpa	Indicated	0.56	12.8	0.23	9	0.16	0.28	37	13.4	0.24
	Inferred	0.53	10.9	0.19	9	0.16	0.27	74	11.5	0.20

Kora/Eutompi Inferred	4.36	7.3	1.02	35	4.9	2.23	215	11.2	1.57
Total Indicated	0.56	12.8	0.23	9	0.16	0.3	4.0	13.4	0.24
Total Inferred	4.89	7.7	1.21	32	5.06	2.0	218	11.2	1.76

*M in table is millions. Reported tonnage and grade figures are rounded from raw estimates to reflect the order of accuracy of the estimate. Minor variations may occur during the addition of rounded numbers. Gold equivalents are calculated as $AuEq = Au\ g/t + Cu\% * 1.52 + Ag\ g/t * 0.0141$.*

K92 Mine Geology Manager and Mine Exploration Manager, Mr. Andrew Kohler, PGeo, a Qualified Person under the meaning of Canadian National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, has reviewed and is responsible for the technical content of this news release. Data verification by Mr. Kohler includes significant time onsite reviewing drill core, face sampling, underground workings and discussing work programs and results with geology and mining personnel.

On Behalf of the Company,

John Lewins, Chief Executive Officer and Director

For further information, please contact the Company at +1-604-687-7130.

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