K92 Mining Inc. Announces Record Production From Kainantu Mine in Q4 - Annual Production Exceeded the Top End of Upgraded Guidance by 2,256 AuEq oz

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- Q4 production of 23,096 oz of gold, 216,656 lbs copper and 5,243 oz silver for a total of 23,646 gold equivalent (“AuEq”) oz.

- Tonnage treated through the process plant was 30,336 tonnes, at an average grade of 25.22 g/t gold and 0.35% copper, achieving recoveries of 93.9% for gold and 92.5% for copper.
- Production for 2019 is a record of 79,838 oz of gold, 951,792 lbs copper and 22,984 oz silver for a total of 82,256 AuEq oz, representing a year-over-year increase of 74%. This exceeds the top end of the upgraded production guidance range of 72,000 to 80,000 AuEq oz.
- Q4 AuEq production exceeded budget by 30% despite numerous interruptions to underground operations and process plant resulting from infrastructure upgrades and equipment installation associated with the current expansion project.

VANCOUVER, British Columbia, Jan. 07, 2020 -- K92 Mining Inc. (“K92” or the “Company”) (TSX-V: KNT; OTCQX: KNTNF) is pleased to announce production in the fourth quarter (“Q4”) exceeded budget by 30%, with 23,646 oz AuEq produced for the quarter at its Kainantu Gold Mine in Papua New Guinea.

During Q4, K92 produced 23,096 ounces of gold, 216,656 pounds of copper and 5,243 ounces of silver or 23,646 AuEq oz (based on a gold price of US$1,300/oz; silver price of US$16.50/oz; copper price of US$2.90/lb). Production for 2019 was a record of 79,838 oz of gold or 82,256 AuEq oz, compared to production of 47,237 oz AuEq for 2018. Production for 2019 exceeded the top end of upgraded production guidance of 72,000 to 80,000 AuEq oz, which was originally 68,000 to 75,000 AuEq oz (see August 15, 2019 press release – K92 Mining Inc. Releases 2019 Q2 Financial Results, Increases Production Guidance and Decreases 2019 Cost Guidance) by 2,256 AuEq oz.

Mining operations in Q4 continued to focus on Kora North and comprised cut and fill stope mining from the K1 vein at the 1170, 1205 and 1225 mRL level as well as development tonnes from the K2 vein on the 1225 mRL level.

The blend of primarily K1 material provided an average head grade to the process plant for Q4 of 25.22 g/t Au and 0.35% 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.

Importantly, the above budget production was achieved despite a number of interruptions to underground mine operations due to upgrading of underground infrastructure, including commissioning of the new underground power reticulation system and the new main ventilation fans. The plant was also impacted by stoppages to install the new larger secondary crusher as well as various other crusher upgrades.

Financial details will be available in the Company’s upcoming Annual Financial Statements. Annual production guidance for 2020 will be reported in the first half of Q1.

Table 1 – Q4 & 2019 and 2018 Annual Production Data

		2018 Total	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019
Tonnes Processed	T	79,487	26,846	37,913	32,094	30,336	127,190
Feed Grade Au	g/t	19.1	23.6	16.7	19.2	25.2	20.8
Feed Grade Cu	%	0.38%	0.48%	0.34%	0.32%	0.35%	0.37%
Recovery (%) Au	%	93.7%	93.7%	93.2%	94.1%	93.9%	93.7%
Recovery (%) Cu	%	92.9%	93.9%	92.5%	92.1%	93.7%	92.8%
Metal in Conc Prod Au	Oz	45,810	19,125	18,980	18,636	23,632	79,838
Metal in Conc Prod Cu	T	277.27	120	119	95	98	432
Metal in Conc Prod Ag	Oz	10,069	5,564	6,894	5,284	5,243	22,984
Gold Equivalent Production	Oz	47,237	19,788	19,652	19,170	23,646	82,256
	August 15, 2019 Upgraded Guidance						72-80,000
	Original Guidance						68-75,000

Note - Gold equivalent for 2018 and 2019 based on the following metal prices: gold $1,300 per ounce; silver $16.50 per ounce; and copper $2.90 per pound.

John Lewins, K92 Chief Executive Officer and Director, stated, *“The production results for the fourth quarter and the year have again exceeded expectations which is a testament to the quality of not only the Kora North deposit but also the entire team at Kainantu. This record production of 23,646 ozs AuEq was delivered during a quarter in which there were significant interruptions to underground operations resulting from the ongoing upgrading of key infrastructure as well as interruptions to plant operations associated with the installation of new equipment.*

Importantly, underground development has significantly ramped up over the course of the year, with total tonnes mined, increasing from under 60,000 tonnes in Q1 to 120,000 tonnes in Q4. This increased development activity reflects the impact of additional equipment and personnel following the decision to go ahead with the expansion project during the first quarter of 2019. The initial focus of the expanded underground activity has been in waste development necessary to establish increased access to the deposit to allow the ramp up production to 400,000 tonnes per annum by the end of 2020.

In addition, the Company continued to work on the expansion of the Kora/Kora North Resource, with a further 26 holes completed during the quarter. Results reported included KMDD0147A which recorded one the highest grade drill intersections at Kora to date of 13 metres at 288.73 g/t Au, 104 g/t Ag and 0.77% Cu (291.34 g/t AuEq (calculated using copper price of US$2.90/lb, silver price of US$16.5/oz and gold price of US$1,300/oz).”

During Q1, the Company announced the 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 AuEq oz.

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 was projected to be 68-75,000 oz AuEq in 2019 and is projected to be 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;
- Number of employees is expected to increase from the current 650 to 750 at 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;
    - 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 13-year period; and
    - Net cashflow would be US$1.03 billion, the net present value (“NPV$_5$”) 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 (Table 2). This resource together with the previously reported Kora Mineral Resource Estimate dated March 2017 (Table 3) provide the resource base for the updated PEA.

K92 engaged Mincore Pty Ltd (“Mincore”) to complete the 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 Technical Report and results of the PEA. The PEA Technical Report 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 Optimizer (“MSO”) program;
- creating a conceptual development layout to suit the MSO inventory;
- producing a project cash-flow model; and
- producing a simple mining schedule as input to the cashflow 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 Return 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 used in PEA 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	Gold		Silver		Copper		AuEq	
	Mt	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.

The Mineral Resource estimate was prepared and verified by Simon Tear (PGEO), consultant to the Company and a director of independent consultancy of H & S Consultants Pty. Ltd., Sydney, Australia (October 2018).

Key Assumptions and Parameters of Kora and Kora North Resource Estimate

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% x 1.53) + Ag g/t x 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 NI 43-101, 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.

About K92

K92 Mining Inc. is engaged in the production of gold, copper and silver from the Kora and Kora North deposits of the Kainantu Gold Mine in the Eastern Highlands province of Papua New Guinea, as well as exploration and development of mineral deposits in the immediate vicinity of the mine. The Company declared commercial production from Kainantu in February 2018 and has commenced an expansion of the mine. An updated Preliminary Economic Assessment on the property was published in January 2019. K92 is operated by a team of mining company professionals with extensive international mine-building and operational experience.

ON BEHALF OF THE COMPANY,

John Lewins, Chief Executive Officer and Director

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This news release includes certain “forward-looking statements” under applicable Canadian securities legislation. Forward-looking statements are necessarily based upon a number of estimates and assumptions regarding [K92 Mining Inc.]’s future financial or operating performance that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. All forward-looking statements in this news release are based on the opinions and estimates of management as of the date such statements are made and are subject to important risk factors and uncertainties, many of which are beyond the Company’s ability to control or predict. All statements that address future plans, activities, events, or developments that the Company believes, expects or anticipates will or may occur are forward-looking information, including statements regarding: the realization of the preliminary economic analysis for the Kainantu Gold Mine; the generation of further drilling results; expectations of future cash flows; expectations of future production results; expected success of the proposed plant expansion; potential expansion of resources; any which may or may not occur. Forward-looking statements and information contained herein are based on certain factors and assumptions regarding, among other things: there being no significant disruptions affecting the Company’s operations; political and legal developments in Papua New Guinea being consistent with the Company’s current expectations; the accuracy of K92’s current mineral reserve and mineral resource estimates; the exchange rate between the Canadian dollar and U.S. dollar, and the Papua New Guinea Kina, being approximately consistent with current levels; prices for fuel, electricity and other key supplies being approximately consistent with current levels; equipment, labour and materials costs increasing on a basis consistent with K92’s current expectations; all required permits, licenses and authorizations being obtained from the relevant governments and other relevant stakeholders within the expected timelines and the absence of material negative comments during the applicable regulatory processes; the market price of the Company’s securities; metal price; taxation; the estimation, timing and amount of future exploration and development; capital and operating costs; the availability of financing; the receipt of regulatory approvals; environmental risks; title disputes; failure of plant, equipment or processes to operate as anticipated; accidents; labour disputes; claims and limitations on insurance coverage and other risks of the mining industry; changes in national and local government regulation of mining operations; and regulations and other matters.

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