

# K92 Mining Releases 2021 Q1 Financial Results - Record Net Cash & Process Plant Throughput

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VANCOUVER, May 13, 2021 - [K92 Mining Inc.](#) ("K92" or the "Company") (TSX: KNT; OTCQX: KNTNF) is pleased to announce results from its financial statements for the three months ended March 31, 2021.

## Safety

- Strong focus on safety with one of the best safety records in the Australasia region since start of operations.
- Proactive and focused management of COVID-19. K92 continues to operate and has strong preventative and response plans.

## Production

- Record quarterly tonnage of 73,221 tonnes treated, a 54% increase from Q1 2020.
- Quarterly gold equivalent ("AuEq") production of 18,654 oz, or 17,774 oz gold, 426,153 lbs copper and 7,925 oz silver.
- Cash costs of US\$745/oz gold and all-in sustaining costs ("AISC") of US\$1,038/oz gold ounce<sup>(2)</sup>.
- Long hole stoping continuing to perform well and to design on both the K1 and K2 veins, with stoping operations interrupted for ~3 weeks in March and recommenced near the end of the quarter, following an incident involving an underground loader, which prevented backfilling operations. Production from four high-grade stopes was deferred to Q2, resulting in the plant treating a larger amount of lower grade stockpile material during Q1, while benefiting Q2 production (see March 18, 2021 press release - *Kainantu Operations and COVID-19 Update*). Operations were also impacted from mid-January to late-February due to a shortage of bulk emulsion explosives as a result of unforeseen COVID-19 international shipping logistical issues compounded by increasing global transport restrictions as a result of the Beirut Incident. This was addressed through utilizing less productive alternative explosives (ANFO and packaged explosives) and supplementing mill feed from lower grade stockpiles. A significant shipment of bulk emulsion explosives arrived on site in late-February, the supplier has diversified sources and is expected to commence domestic production in May, nearby in Lae, to totally mitigate this issue (see April 16, 2021 press release - *K92 Mining Announces Q1 Production Results and Record Plant Throughput at the Kainantu Gold Mine*).

## Financials

- Balance sheet significantly strengthened during Q1. During the quarter, K92 fully repaid the outstanding loan balance of US\$5 million and increased its cash balance by US\$15 million, ending the quarter with a historically high cash balance of US\$66 million as at March 31, 2021.
- Sold 21,879 oz of gold, 394,635 lbs of copper and 7,463 oz of silver. Gold concentrate inventories of 2,379 oz as of March 31, 2021, a quarterly decrease of 3,072 oz.
- Record quarterly revenue of US\$29.5 million, increasing 7% from Q1 2020.
- Operating cash flow (before working capital adjustments) for the three months ended March 31, 2021 of US\$7.7 million or US\$0.04 per share and earnings before interest, taxes, depreciation and amortization ("EBITDA") of US\$8.0 million or US\$0.04 per share.
- Net income for Q1 of US\$2.2 million or US\$0.01 per share.

## Growth

- Reported high-grade underground development extensions results on the underexplored Judd Vein #1 ("J1") with 65 metres of strike recording an average J1 vein thickness of 3.8 metres at 18.70 g/t AuEq (see January 26, 2021 press release: *K92 Mining Announces Judd Underground Development Extension Results - Average J1 Vein Grade of 18.70 g/t AuEq at 3.8 m Width*).

- Results for 35 diamond drill holes reported for the Kora deposit, with 25 intersections exceeding 10 g/t AuEq, including KMDD0266 recording multiple intersections including 7.20 m at 59.00 g/t Au, 56 g/t Ag and 3.89% Cu (64.88 g/t AuEq, 4.69 m true width) on the K1 Vein and KMDD0280 recording multiple intersections including 6.82 m at 34.80 g/t Au, 22 g/t Ag and 1.59% Cu (37.19 g/t AuEq, 5.05 m true width) on the K2 Vein (see press February 18, 2021 press release: *K92 Mining Announces Latest High-Grade Drill Results at Kora, Including 7.20 m at 64.88 g/t AuEq*).
- Diamond drill rig fleet increased to 11 at the end of the quarter, targeting multiple vein and porphyry targets concurrently. Manpower ramping up for exploration after Australia-PNG Travel Restrictions lifted for expatriate fly-in fly-out workers (see May 10, 2021 press release: *K92 Mining Announces Resumption of Expatriate Fly-In Fly-Out Travel Between Papua New Guinea and Australia*)

For complete details of the interim consolidated financial statements and associated management's discussion and analysis, please refer to the Company's website or profile on SEDAR ([www.sedar.com](http://www.sedar.com)). All amounts are in U.S. dollars unless otherwise indicated.

John Lewins, K92 Chief Executive Officer and Director, stated, *"The Company continued to make considerable progress in the first quarter despite multiple short term and unexpected events resulting from COVID-19 travel restrictions, loader incident and international bulk emulsion shipping issues. Financially, the last \$5 million of debt was repaid and the cash balance increased to a historically strong \$66 million at the end of the quarter. Operationally, process plant throughput potential appears to be greater than the 1,100 tpd with several records achieved, long hope stoping continuing to perform well, and development prior to the short-term disruptions tracking above budget. On exploration, Judd made significant progress with development results now extended to a total of 288 metres of vein strike reported, including the last 179 metres of J1 vein strike averaging 3.7 metres thickness at 15.39 g/t AuEq, and; Kora continued to deliver high grades, with 35 intersections exceeding 10 g/t AuEq from 35 diamond drill holes.*

*Importantly, all three unexpected events that impacted the operation have been effectively mitigated, with the loader incident and international bulk shipping issued resolved in the first quarter. Late last week, travel restrictions for the resource sector's expatriate workforce between Australia and Papua New Guinea was lifted, following the introduction of enhanced COVID-19 protocols by the resource sector to ensure there are no further disruptions to the movement of expatriate personnel. K92's expatriate workforce travelled from Australia to Papua New Guinea this week. With these challenges behind us, we anticipate normal operations being quickly re-established, although we remain vigilant for any potential impacts or issues resulting from the ongoing Covid-19 pandemic."*

#### Mine Operating Activities

|   | Three months ended<br>March 31, 2021 | Three months ended<br>March 31, 2020 |
|---|--------------------------------------|--------------------------------------|
| <b>Operating data</b>                           |                                      |                                      |
| Head grade (Au g/t)                             | 8.5                                  | 13.6                                 |
| Gold recovery (%)                               | 88.9%                                | 93.0%                                |
| Gold ounces produced                            | 17,774                               | 19,240                               |
| Gold ounces equivalent produced <sup>(1)</sup>  | 18,654                               | 19,944                               |
| Tonnes of copper produced                       | 193                                  | 154                                  |
| Silver ounces produced                          | 7,925                                | 7,678                                |
| <b>Financial data (in thousands of dollars)</b> |                                      |                                      |
| Gold ounces sold                                | 21,879                               | 18,747                               |
| Revenues from concentrate sales                 | US\$29,513                           | US\$27,633                           |
| Mine operating expenses                         | US\$7,630                            | US\$8,145                            |
| Other mine expenses                             | US\$10,420                           | US\$4,297                            |
| Depreciation and depletion                      | US\$2,857                            | US\$2,781                            |
| <b>Statistics (in dollars)</b>                  |                                      |                                      |
| Average realized selling price per ounce, net   | US\$1,735                            | US\$1,502                            |
| Cash cost per ounce                             | US\$745                              | US\$752                              |

|                                  |           |         |
|----------------------------------|-----------|---------|
| All-in sustaining cost per ounce | US\$1,038 | US\$885 |
|----------------------------------|-----------|---------|

Notes:

(1) Gold equivalent for 2021 is based on the following prices: gold \$1,800 per ounce; silver \$25 per ounce; and copper \$3.25 per pound. Gold equivalent for 2020 based on the following prices: gold \$1,500 per ounce; silver \$17.75 per ounce; and copper \$2.70 per pound.

(2) The Company provides some non-international financial reporting standard measures as supplementary information that management believes may be useful to investors to explain the Company's financial results. Please refer to non-IFRS financial performance measures in the Company's management's discussion and analysis dated May 13, 2021, available on SEDAR or the Company's website, for reconciliation of these measures

K92 has not based its production decisions on mineral reserve estimates or feasibility studies, and historically such projects have increased uncertainty and risk of failure. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

#### Conference Call and Webcast to Present Results

K92 will host a conference call and webcast to present the 2021 Q1 Financial Results at 8:30 am (EDT) on Friday, May 14, 2021.

- Listeners may access the conference call by dialing toll-free to 1-800-319-4610 within North America or +1-604-638-5340 from international locations.
- The conference call will also be broadcast live (webcast) and may be accessed via the following link: <http://services.choruscall.ca/links/k92mining20210514.html>

#### Qualified Person

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.

#### About K92

[K92 Mining Inc.](#) is engaged in the production of gold, copper and silver from the Kora deposit at 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 is in a strong financial position.

The Company commenced an expansion of the mine based on an updated Preliminary Economic Assessment on the property which was published in January 2019 and updated in July 2020. 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

*For further information, please contact David Medilek, P.Eng., CFA at +1-604-687-7130.*

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION:** 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 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 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 Project, expectations of future cash flows, the planned plant expansion, production results, cost of sales, sales of production, potential expansion of resources and the generation of further drilling results which may or may not occur. Forward-looking statements and information contained herein are based on certain factors and assumptions regarding, among other things, the market price of the Company's securities, metal prices, exchange rates, taxation, the estimation, timing and amount of future exploration and development, capital and operating costs, the availability of financing, the receipt of regulatory approvals, assumptions contained in the PEA, 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 in PNG, mitigation of the Covid-19 pandemic, continuation of the lifted state of emergency, and regulations and other matters. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.*

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