



**KAINANTU**

**KAINANTU RESOURCES LTD.**

Management's Discussion and Analysis

For the Year Ended

December 31, 2022

(Expressed in US Dollars, except stated otherwise)

# Kainantu Resources Ltd.

## Management's Discussion and Analysis

December 31, 2022

**General:** the following Management's Discussion and Analysis ("MD&A") of Kainantu Resources Ltd. ("the Company" or "KRL"), is intended to supplement and help the reader understand the interim condensed consolidated financial statements for the year ended December 31, 2022 and is prepared by management using information available as of May 1, 2023. The MD&A has been prepared in accordance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators ("NI 51-102"). The MD&A should be read in conjunction with the audited consolidated financial statements and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The information contained herein is intended to provide investors with a reasonable basis for assessing the financial position and performance of the Company, but not as a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. All dollar amounts in this MD&A are quoted in thousands of United States Dollars ("USD"), the reporting currency of the consolidated group, unless specifically noted (see change in accounting policy below). Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Board of Directors of the Company (the "Board") have implemented recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's audit committee meets with management regularly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters. This MD&A was reviewed by the audit committee and approved and authorised for issue by the Board on May 1, 2023. The information contained within this MD&A is current to May 1, 2023.

**Forward Looking Statements:** this MD&A contains forward-looking statements, which relate to future events or future performance and reflect management's current expectations and assumptions. Such forward-looking statements reflect management's current beliefs and are based on assumptions made by and information currently available to the Company. All statements, other than statements of historical fact, are forward-looking statements or information. These forward-looking statements can generally be identified as such because of the context of the statements, including such words as "believes", "anticipates", "expects", "plans", "may", "estimates", or words of a similar nature. Forward-looking statements or information in this MD&A relate to, among other things: formulation of plans for drill testing; and the success related to any future exploration or development programs. These forward-looking statements and information reflect the Company's current views with respect to future events and are necessarily based upon a number of assumptions that, while considered reasonable by the Company, are inherently subject to significant operational, business, economic and regulatory uncertainties and contingencies. These assumptions include; success of the Company's projects; prices for gold remaining as estimated; currency exchange rates remaining as estimated; availability of funds for the Company's projects; capital, decommissioning and reclamation estimates; prices for energy inputs, labour, materials, supplies and services (including transportation); no labour-related disruptions; no unplanned delays or interruptions in scheduled construction and production; all necessary permits, licenses and regulatory approvals are received in a timely manner; and the ability to comply with environmental, health and safety laws. The foregoing list of assumptions is not exhaustive. The Company cautions the reader that forward-looking statements and information involve known and unknown risks, uncertainties and other factors that may cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements or information contained in this news release and the Company has made assumptions and estimates based on or related to many of these factors. Such factors include, without limitation: fluctuations in gold prices; fluctuations in prices for energy inputs, labour, materials, supplies and services (including transportation); fluctuations in currency markets (such as the Canadian dollar versus the U.S. dollar); operational risks and hazards inherent with the business of mineral exploration; inadequate insurance, or inability to obtain insurance, to cover these risks and hazards; our ability to obtain all necessary permits, licenses and regulatory approvals in a timely manner; changes in laws, regulations and government practices, including environmental, export and import laws and regulations; legal restrictions relating to mineral exploration; increased competition in the mining industry for equipment and qualified personnel; the availability of additional capital; title matters and the additional risks identified in our filings with Canadian securities regulators on SEDAR in Canada (available at [www.sedar.com](http://www.sedar.com)). Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, described, or intended. Investors are cautioned against undue reliance on forward-looking statements or information. These forward-looking statements are made as of the date hereof and, except as required under applicable securities legislation, the Company does not assume any obligation to update or revise them to reflect new events or circumstances. Mineralisation hosted on adjacent and/or nearby properties is not necessarily indicative of mineralisation hosted on the Company's property. The data disclosed in this release relating to drilling results is historical in nature. Neither the Company nor a qualified person has yet verified this data and therefore investors should not place undue reliance on such data, and no representation or warranty, express or implied, is made by the Company, its affiliated companies, or any other person as to its fairness, accuracy, completeness, or correctness.

**Qualified Person:** the scientific and technical information disclosed in this release has been reviewed and approved by Graeme Fleming, B. App. Sc., MAIG, an independent "qualified person" as defined under National Instrument 43-101, *Standards of Disclosure for Mineral Projects*.

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## Description of Business and Overview

### ***Business***

Kainantu Resources ("KRL" or the "Company") is an Asia-Pacific focused gold mining company with three highly prospective gold-copper projects, KRL South, KRL North and the May River Project (in addition to holding an executed definitive agreement to acquire the Kili Teke Copper-Gold Project ("Kili Teke"). All projects are located in premier mining regions in Papua New Guinea ("PNG"). Both KRL North and KRL South show potential to host high-grade epithermal and porphyry mineralisation, as seen elsewhere in the high-grade Kainantu gold district. The May River project is in close proximity to the world-renowned Frieda River Copper-Gold Project, with historical drilling indicating the potential for significant copper-gold projects.

KRL has a highly experienced board and management team with a proven track record of working together in the region; and an established in-country partner. KRL's strategy is to build shareholder wealth through exploration at its principal Kainantu projects in conjunction with pursuing value accretive corporate initiatives (such as at May River and Kili Teke). The Company intends to continue to develop its portfolio of mining ventures throughout the geologically rich Asia-Pacific region.

### ***Corporate Affairs***

The Company was initially incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on July 4, 2018. KRL was established when the Company completed a qualifying transaction to acquire Kainantu Resources Pte. Ltd. on [December 3, 2020](#). A private placement was completed to raise Canadian Dollars ("CAD") \$4.1 million at this time, with further details on the acquisition and placement available in the Audited Financial Statements.

The Company's shares were listed on the Toronto Stock Exchange Ventures Exchange ("TSX-V") under the symbol "KRL" on [December 8, 2020](#). KRL has also obtained a secondary listing on the Frankfurt Stock Exchange ("FSE") under the symbol "6JO", which was announced [June 10, 2021](#).

KRL completed additional fundraising through a private placement in January 2022, which was over-subscribed raising a total of CAD \$2.77 million. A subsequent private placement was announced on [October 19, 2022](#) to raise up to CAD \$2.50 million. On [November 3, 2022](#), the company completed tranche 1 of the placement, securing CAD \$1.72 million in funding.

## Operations Update, Strategy and Outlook

KRL is focused on developing and progressing exploration and mining projects; seeking to delineate highly prospective ground for precious metals targets and deliver value through the managed deployment of available resources.

To date, the approach has resulted in the development of a portfolio of projects at increasingly advanced stages.

During the year a comprehensive airborne geophysical survey was completed over the Kainantu tenements, with detailed analysis released on [June 9, 2022](#). Key aspects of the airborne geophysics programme included coverage of a total area of 186 km<sup>2</sup> adjacent to the K92 mine (involving over 1,000 line-kilometres) in survey by Expert Geophysics Ltd ("EGL"); and advanced processing and modelling (with 3D inversion conductivity models, and magnetic susceptibility and magnetization vector models completed by Computational Geosciences Inc). Ongoing analysis and planning for future exploration programs and activities have been based on this program and will continue to determine the direction with the goal of defining delineated drill targets.

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The Company's approach during 2022 has also allowed adjustment to changing business circumstances and exploration results, with KRL moderating activities around the national election cycle in PNG and against broader turbulence in global capital markets. In Q4, 2022, the Company resumed exploration activities in the Kainantu districts with positive results from the KRL South, Ontenu prospects.

During 2022 for geochemical analysis a summary of sampling appears below in Figure 1.

Figure 1: Samples taken in the 12 months to December 31, 2022

	Sample Type (Geochem)	Pan Concentrate	Rock Chip Outcrop	Rock Chip Float	Soil	Trench	QA/QC	Petrology	TOTAL	
KRL South	Mt Yungateia	EL 2559	2	6	10		11	3	616	
		EL 2650	58	36	490					
	Tigunta /Zome	EL 2559	6	3	259	28	15	3	491	
		EL 2650	18	16	81	62				
	East Avanihofi	EL 2559	21		23	382	21		447	
		EL 2650								
	Yaoro Ridge	EL 2559					179	10		189
		EL 2650								
	Riga/Biteve	EL 2559	1	4			8		336	
		EL 2650	12	45	266					
Ontenu	EL 2660	62	1	95		2		160		
KRL North	EL 2558		6	119	500	146	13	7	891	
	EL 2655		15	23	28	20				
	Outside				14					
May River	Mt Gate	EL 2603	153		17	154	15		339	
<b>TOTAL</b>			<b>21</b>	<b>475</b>	<b>111</b>	<b>1,783</b>	<b>971</b>	<b>95</b>	<b>13</b>	<b>3,469</b>

In relation to the return of sample analysis some COVID related delays re-emerged in H1 2022, impacting on the Company's ability to finalise analyses for projects. Few samples were taken in Q3 2022 due to a pause in field work which resumed during Q4. Further details of the geochemical analysis results and highlights reported in 2022 are outlined below.

The Company is of the view the geophysics analysis, mapping, geochemical analysis and newly uncovered historical data is likely to lead to further refinement, identification and prioritisation of a number of exploration targets for the Company; likely to host substantial mineralisation.

From a corporate perspective during 2022, KRL announced a transformational corporate initiative for the Company on the signing of an Asset Sale Agreement with Harmony Gold (PNG) Exploration Limited ("Harmony" or "HGEL"), to acquire Kili Teke, which has a SAMREC compliant inferred mineral resource of 237Mt @ 0.34% Copper (=0.8Mt Cu), 0.24g/t Gold (=1.8Moz Au) and 168ppm Molybdenum (=0.04Mt Mo), as defined in the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves ("SAMREC").

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On [September 8, 2022](#), the Company provided a further update on the Kili Teke Copper-Gold project acquisition.

Further analysis on the Projects and initiatives at each is presented below.

### Company Projects

#### Overview

As noted above, KRL currently holds three projects: KRL North, KRL South and May River (in addition to executing a definitive agreement to acquire Kili Teke).

All exploration licenses are in good standing and renewed (or currently under renewal) in accordance with PNG mining laws and regulations. A summary of the Company's exploration licenses appears in figure 2 below, save that:

- during Q4, 2022 KRL successfully completed Warden's hearings for the renewal of five tenements and the grant of one new tenement at KRL North and South;
- in relation to May River, EL 2623; 637 km<sup>2</sup> was relinquished as part of the 2<sup>nd</sup> term renewal process by Hardrock Limited ("Hardrock"), KRL submitted a new application which includes the relinquished area and now granted (EL 2756);
- at May River, EL 2736 was applied for and granted, an area of 51km<sup>2</sup> including parts of the former Niuminco tenement (EL 2527), located next to the Frieda River prospects; and
- at KRL North, an additional application for a licence was made for a highly prospective area identified from the geophysics studies known as Young Creek (or EL 2755) for an area covering 331 km<sup>2</sup>.

Figure 2: KRL Exploration License Details

KRL Reference	Exploration Licence Number	Current Holder	Size (km <sup>2</sup> )	Current Term Ending	Term
KRL North	EL 2558	KRL	41	Aug 28, 2022	Second
	EL 2655	PEC *	89	Nov 11, 2022	First
	ELA 2755	KRL	331	-	Application
KRL South	EL 2559	KRL	225	Aug 28, 2022	Second
	EL 2650	PEC *	143	Aug 13, 2022	First
	EL 2660	PEC *	102	Nov 11, 2022	First
	EL 2652	PEC *	126	Aug 13, 2022	First
May River	EL2603	Hardrock **	331	Jan 13, 2024	Third
	EL2623	Hardrock **	1,272	Jan 13, 2024	Third
	EL 2736	KRL	51	28 Jul, 2024	First
	EL 2756	KRL	1,357	Aug 27, 2024	First
Kili Teke	EL 2310	HGEL ***	252	May 23, 2022	Renewal – Fifth

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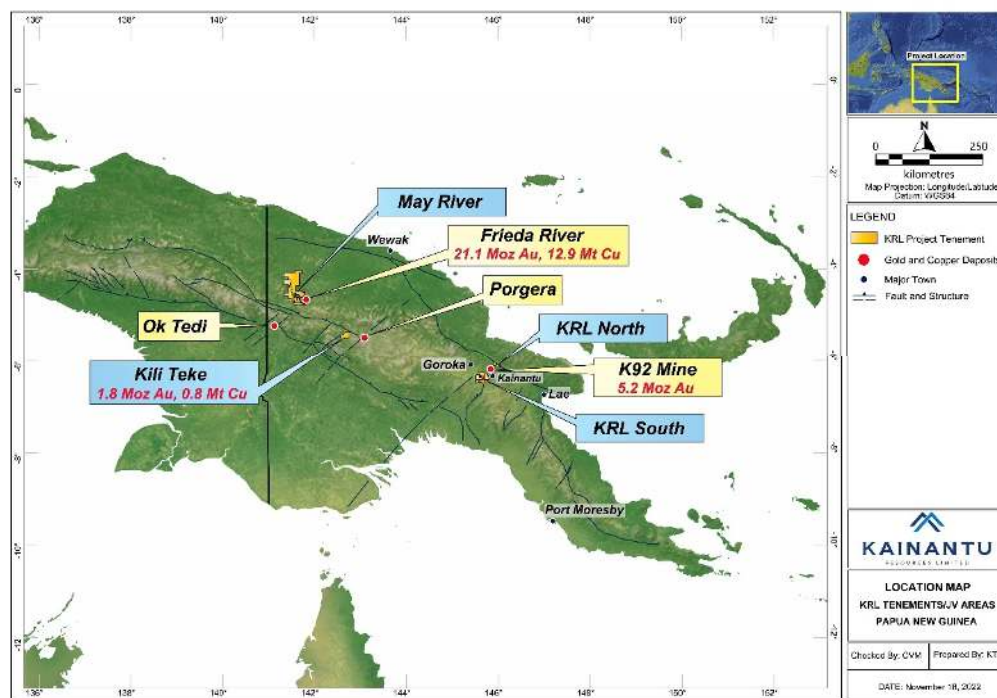
\* Pacific Energy Consulting Limited (“PEC”) holds tenements subject to exclusive options agreement in favour of KRL with tenements to be transferred at the commencement of the second term.

\*\* Hardrock holds tenements with the Company subject to an option agreement for KRL to acquire the shares (see subsequent events below).

\*\*\* HGEL hold tenement EL 2310 which is subject to a sale agreement with conditions to be satisfied prior to transfer on completion.

Inclusive of these areas, the total area held by the Company is 3,608 km<sup>2</sup>. On closing the acquisition to acquire the Kili Teke, an additional area of 252km<sup>2</sup> will be added to the portfolio. Geographically represented within PNG, KRL’s projects including May River and Kili Teke (subject to acquisition) are set out in Figure 3:

Figure 3: KRL Exploration Package in PNG



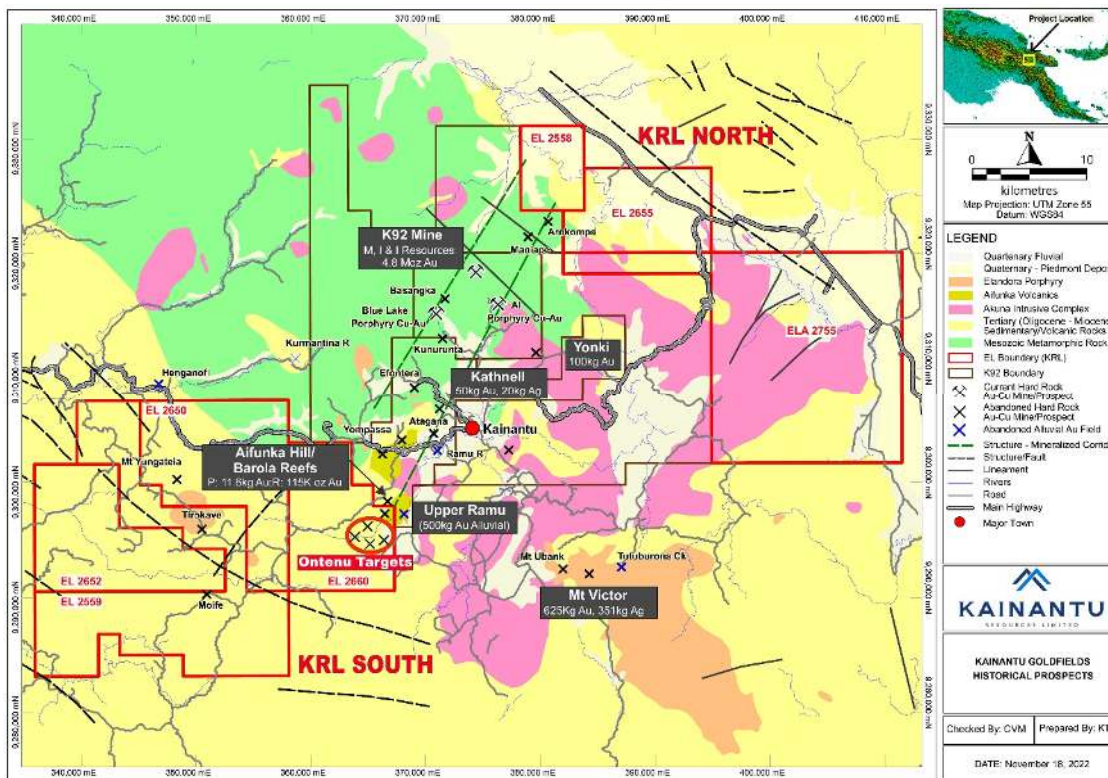
For further details on the Projects, the PNG Mineral Resources Authority’s (“MRA”) official cadastre mapping record can be viewed at <https://portal.mra.gov.pg/Map/>.

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KRL’s foundation projects in the Kainantu region are geographically presented in Figure 4 below.

Figure 4: KRL Kainantu Region Projects: KRL North & KRL South



## KRL North

KRL North sits along strike, NNE, on the mineralized corridor representing a portion of the Kainantu Transfer Structure. From initial studies, it appears the Kainantu Transfer Structure is evident in the area in two significant mineralised vein systems within the tenement package of K92 Mining Inc. (“K92”), both within three to four km of the SW corner of EL 2558. While non-JORC compliant (or subject to an NI 43-101 technical report), historic data indicated a resource of 560,000 oz Au at 2.2 g/t at Maniape; and 798,000 oz Au at 9.0 g/t at Arakompa. Given their proximity to the Company’s tenements, both the Maniape and Arakompa vein systems are relevant to KRL North. A key focus for the Company has been (and remains) assessing the potential high grade mineralisation extending into KRL North from the adjacent Bilimoia Mineral Field (being the prime source of high grade gold feed to the K92 mill).

In this regard, the recently conducted airborne geophysics in H1 2022 and historic aeromagnetic data has confirmed the proximity and certain similarities, notably structure, between KRL North and the Bilimoia Mineral Field at K92, with this regarded as highly encouraging for the Company.

Specifically in relation to the geophysics analysis, two large magnetic anomalies were identified in highly permeable structural environments to the SW and SE of EL 2655, KRL North, with both interpreted as possible porphyries. The southwest body appears bound by a prominent highly conductive NE trending fault and is associated with a ring feature (in addition to peripheral precious and base metal mineralisation to the N and NW). The SE body occupies a complex structural zone of prominent intersecting NE and NW faults, some of which are highly conductive and appear associated with a

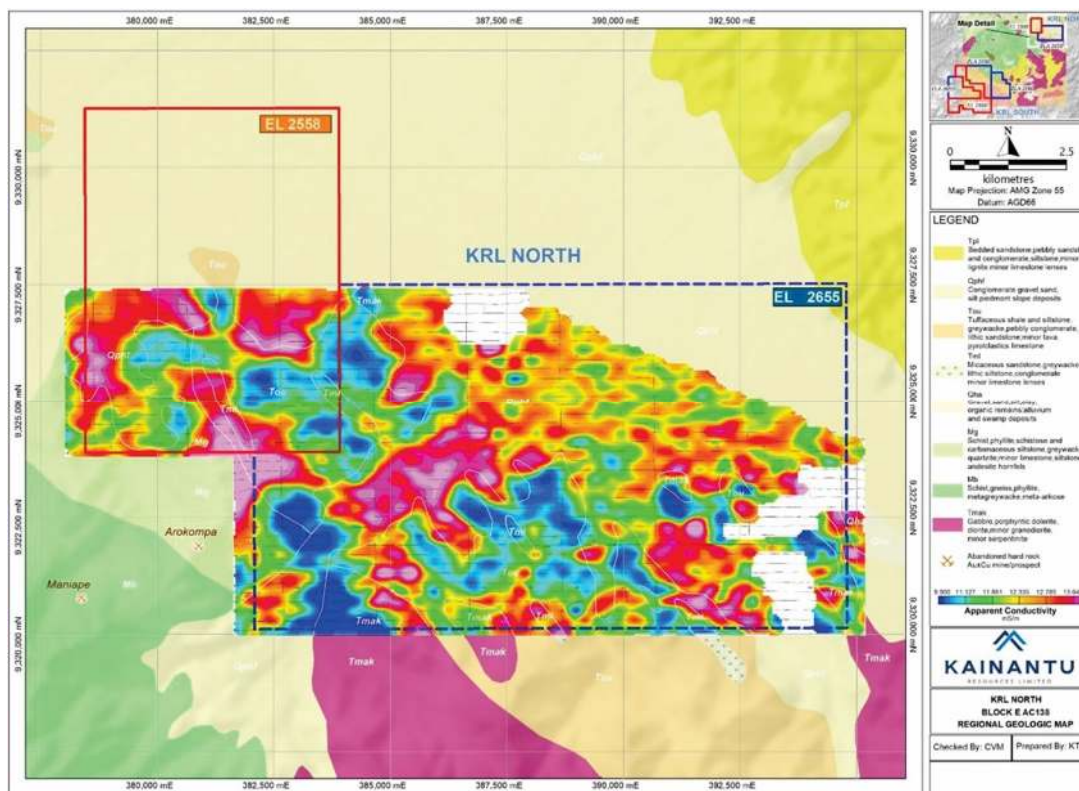
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recently identified zone of low temperature hydrothermal alteration and mineralisation in the Young Creek area (supporting the rationale for applying for an exploration licence – ELA 2755 over this area).

Please refer to Figure 5 below, with interpretive mapping from EGL, potentially evidencing preliminary apparent conductivity at KRL North on trend; while also identifying a number of high conductivity areas such as the Southern Ring feature, the NE trending Ramu Gorge Fault and at the Young Creek area.

Figure 5: Apparent conductivity mapping of KRL North  
(Note: blanked areas are due to interference caused by powerlines)



In addition to and in support of the MT survey, soil sampling at KRL North during H1 2022 involved taking a total of 693 samples (inclusive of grid soil sampling over ¾ of the southern ring feature, boundary shared with K92).

The ridge and spur soil lines across the southern half produced two coherent clusters of Au anomalies and one spot high. The western Au anomaly cluster comprises 6 weak to moderately anomalous values (up to 69ppb Au) along ~300m of a N-S trending ridge centred around the southern ring feature. The eastern anomaly covers a mainly E-W trending ridge with 3 high values (115 to 329ppb Au) amidst background values, located adjacent to the eastern border of the project.

Rock samples returned a high of 2.28ppm Au (and associated 9.4ppm Ag, 2,477ppm As, 200ppm Sb, 418ppm Pb, & 1,254ppm Zn) adjacent to the border with K92's EL 693. It is hosted in a small, oxidized ENE trending vertical fracture in weakly chlorite-sericite altered phyllite hosting weakly disseminated py-cpy-asp.

Samples returned Cu-anomalous results (356-2,755ppm) with associated Ag, Pb, & Zn highs (6.6ppm, 11,908ppm, & 9,993ppm respectively) again adjacent to K92's EL 693. It is possible they may have derived from the western portion of the southern ring feature. They are hosted in both phyllite and a fine-



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grained quartz veined intrusive, all displaying significant disseminated py-po-cpy-sphal/gal. The location of many of the above anomalous samples suggest that elements of the Maniape/Arakompa structural trend may extend into the SW sector of EL 2558. This is further supported by the relative increase in frequency of quartz veining mapped within that area.

The sampling appears to build on the geophysical analysis and indicates a zonation of metal content is indicative of a potentially mineralised porphyry with peripheral quartz-base metal-Au-Ag epithermal veins; with two potential targets providing encouraging results.

Overall, this suggests the presence of three significant mineralisation occurrences and controlling structures similar to those seen at Bilimoia mineral field. Detailed analysis on the prospective nature of the area and these results will be released in the near future. During Q3 2022, further field work commenced at KRL North as part of a campaign to move towards drilling targets.

### ***KRL South***

KRL South is located around the Tirokave River, where substantial alluvial gold mining has historically occurred in the catchment area. As with KRL North, KRL South also sits along elements of the Kainantu Transfer Structure. The area has been of particular interest to KRL, given the presence of extensive outcrops with identified Akuna Igneous complex rocks and a large body, including scattered dykes and plugs, of the Elandora Porphyry (as seen at K92).

At KRL South, the initial focus of the Company has centred around the Tirokave area, where mapping in conjunction with significant geochemical results (inclusive of one sample of 40 g/t Au) led to identifying prospects in 2021; inclusive of East Avanihofi and Yaoro Ridge.

In H1 2022, geophysical analysis was completed over the area and a manual trenching programme undertaken at East Avanihofi and Yaoro Ridge.

### ***Geochemical Analysis***

A total of 57 test pits were manually dug from which 19 benches were excavated for a cumulative total of 362 meters of exposed bedrock for sampling. Deep colluvium (>1.5m for safety purposes) in many of the pits precluded further digging. A total of 389 semi-continuous chip from bench, outcrop grab/rock chip samples were collected including 15 QAQC samples. Semi- continuous chip sampling was done on a 1m interval and depending on mineralization sampling interval was adjusted.

The highest Au value recorded in this program is 2m @ 5.95ppm Au, with supporting associated elements (14.5ppm Ag, 1,409ppm As, 1,388ppm Pb, 440ppm Zn, 8.1ppm Bi) sampled from Bench 21. Other rare spotty highs were scattered within the trenches from the farthest southeast to the north western portions of the area of interest.

In addition, Cu values were noted to be more consistent and widespread with a mean similar to the background found in the previous extensive soil sampling program over both ring features. This background ranged from 150ppm-250ppm Cu, depending on location, with the highest result of 711ppm Cu. and is considered quite high in a global sense, possibly hinting at a large nearby source(s) underlying the Tirokave area.

Observations from test pits and trenches completed during H1 2022 intersected expected mineralised zones and confirmed regional trends results; with low temperature alteration/mineralization apparent.

Subject to the results from this area justifying further work, the Company will look to define drilling targets for a programme to lead to the development of a maiden mineral resource at KRL South.

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Alternatively, further field work in this area of influence may be a more efficient use of Company resources (depending on further analysis of both geochemical and geophysical results), especially given some of the highly compelling results emerging from the Ontenu prospect. Any move towards a drilling programme at KRL South will also involve ensuring appropriate compensation arrangements are in place (where relevant) with the community and landholders.

### *Geophysical Analysis*

In relation to the airborne geophysics programme, magnetic signatures indicated a possible offshoot from the main batholithic Elandora Porphyry complex occupying the centre of the Tirokave area. This offshoot appears to underlie the largely phyllic altered, stockwork veined area immediately west/adjacent to the East Avaniofi Prospect and is consistent with skarn mineralisation mapped and sampled. An additional prospect (Mt. Yungateia) was also identified in the Tirokave area of interest. Analysis indicated a coincident, partly concentric conductivity/magnetic high (including a strong and extensive conductivity high orientated SE towards the Tebeo Ridge prospect, previously mapped and observed in 2021).

In addition, a number of interesting regional targets were observed as part of the MT survey at KRL South, especially in the Ontenu area. KRL provide an update on the regional potential and opportunities on [September 14, 2022](#) highlighting the prospective nature of the area and supported by earlier work by Barrick Gold Corp.

Ongoing field work and analysis by the Company has identified a cluster of mineralised porphyry and intrusion related targets around Ontenu, a highly fertile area, centred on the north-east trending Kainantu Transfer Structure. Encouraging geophysical survey results also support the potential of Ontenu for extensive bulk grade with attendant higher-grade mineralisation, making this an area of heightened focus for the Company.

Three high priority targets have been identified, based on structural, geochemical and geophysical signatures discussed above. The Company intends to conduct a focussed, grided soil sampling programme (circa 1,000 samples in total) at these targets, in addition to further mapping and rock sampling.

The intention is to produce zoned geochemical and alteration mapping to aid in vectoring towards drill targets (with potential to move towards a focused drill programme in the near term).

The Company views the Ontenu area as extremely encouraging for potential economic Cu-Au-Ag±Mo mineralisation at KRL South.

### ***May River***

May River is located less than 15km from the PanAust owned, world-renowned Frieda River project. Historic drilling has returned substantial intercepts of near-surface gold mineralisation coupled with strong geochemical signatures have also been obtained from sampling suggesting the presence of gold and copper.

There are five main prospects that have been identified within the May River Project - Skiraisa, Foya, Eserebe, Mountain Gate and Iku Hill. As noted above the Company was awarded EL 2756 which will be incorporated into the broader May River Project area. The May River Project has potential to add significant value to the Company's platform with copper/gold exposure in close proximity to the world class Frieda River project.

During H1 2022, a follow-up expanded work program was completed, focused on the Mountain Gate prospect. This particular prospect was identified for further work because of the positive results from

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previous exploration and indications of a potential gold rich porphyry copper system with an upflow zone near Koras Creek. Additionally, the work programme aimed to identify other satellite porphyry deposits and two potential epithermal prospects.

Work included mapping and sampling of old trenches, proximal drainage, ridgeline soil sampling and exploration of peripheral drainages.

A total of 339 samples were collected with initial results and observations from the exploration campaign have been extremely encouraging. Geochemical results have indicated the presence of a gold rich porphyry copper system in the area, supported by the initial petrology report.

Highlights of the programme included:

- outcrops with mineralisation and alterations observed;
- a new prospect identified; and,
- the possible upflow zone for a Cu-Au porphyry was identified.

Final analysis has been prepared on the Mountain Gate programme and was released subsequent to the current reporting period on [February 15, 2023](#).

### ***Kili Teke Copper-Gold Project***

During H1 2022, the Company announced the execution of a definitive agreement to acquire 100% of the Kili Teke from Harmony Gold (PNG) Exploration Limited ("HGEL"), a wholly owned subsidiary of Harmony Gold Mining Company Limited ("Harmony").

Kili Teke is a significant advanced exploration porphyry gold-copper project with an existing mineral resource, and potential for further re-optimization and discoveries to increase overall value.

The Kili Teke project comprises EL 2310 and is located approximately 40km west-northwest of the Porgera gold mine, in the Koroba-Kopiago District of Hela Province, PNG. EL 2310 was granted to HGEL in May 2014 and has been renewed three times. The EL remains in good standing and is currently subject to a further renewal application at the end of the current term in May 2022 with the Wardens hearing now scheduled for December 2022. Pending renewal, the EL remains on foot with KRL entitled to continue to explore the project as is customary under PNG mining law.

Kili Teke lies within the Papuan Fold Belt, a mixed terrane of limestone and clastic sediments which have been strongly folded and thrustured during the evolution of the New Guinea magmatic island arc, on the northern margin of the Australian tectonic plate. Numerous felsic and intermediate plutons, generated from the subducting Australian plate, are intruded into these sediments, and several are host to, or are associated with, large porphyry Au-Cu and epithermal Au deposits, respectively, including Ok Tedi (3.4Mt Cu, 12.5Moz Au\*), Frieda River (12.9Mt Cu, 21.1Moz Au), Porgera (10.4Moz Au), and Mt Kare (2.1Moz Au). \*Pre-production figures.

The Kili Teke deposit consists of various skarn units, a high sulphide "shell" zone, numerous hydrothermal breccias and mineralised porphyries centered on the Yalopi Creek area and extending under the limestone cap to the east and north. The limestone cap which forms the top of the main ridge currently obscures the extent of the underlying intrusives.

An Inferred Mineral Resource of 237Mt @ 0.34% Cu (=0.8Mt Cu), 0.24g/t Au (=1.8Moz Au) and 168ppm Mo (=0.04Mt Mo), with an effective date of 30 June 2021 has been established by Harmony for the

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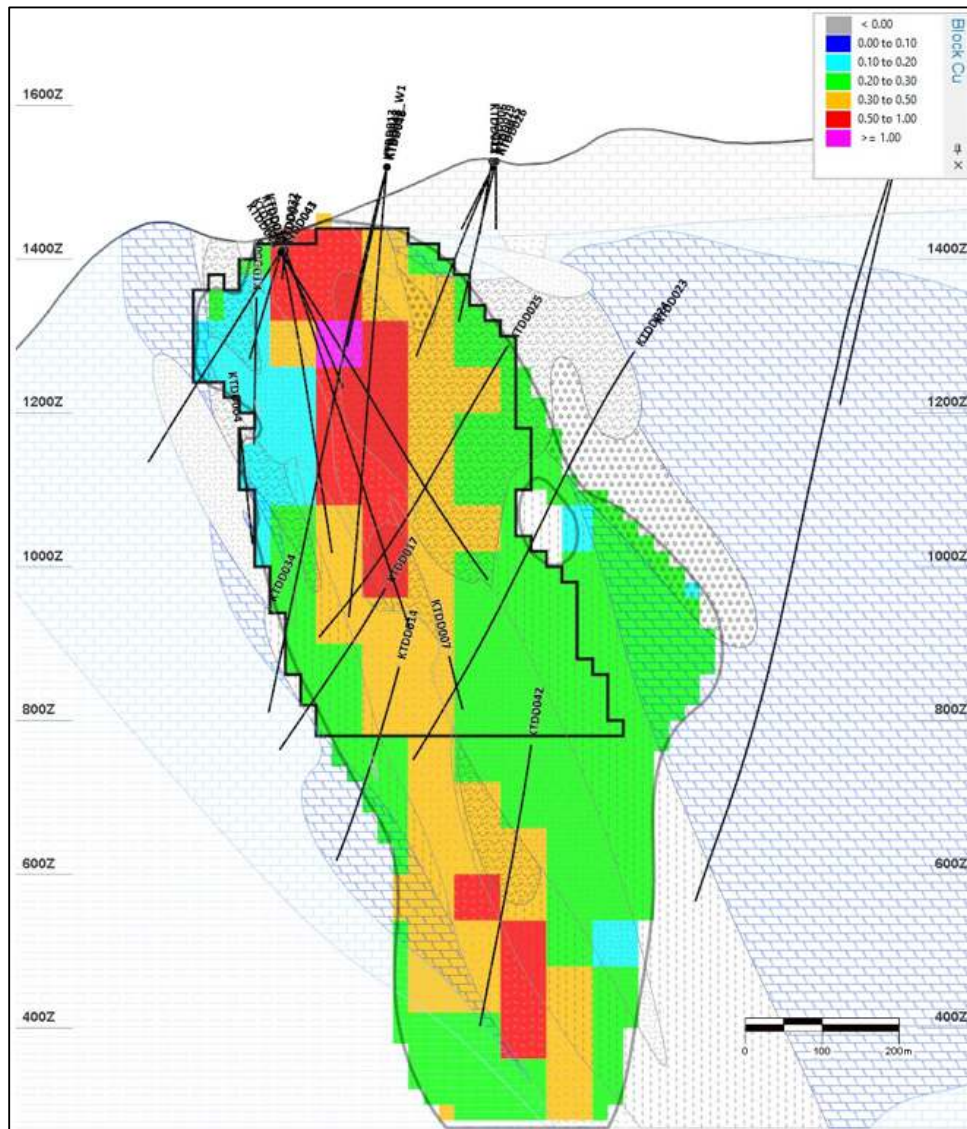
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project in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC, 2016 Edition) ([www.samcode.co.za](http://www.samcode.co.za)), which is recognised and accepted for the purposes of National Instrument 43-101, Standards of Disclosure for Mineral projects ("NI 43-101").

Subsequent to the reporting period, Kainantu Resources announced the filing of a NI43-101 report titled "Kili Teke Cu-Au Project, Papua New Guinea" on [January 12, 2022](#), the report is available on the [Company's website](#) or on SEDAR. This report confirmed the prior released SAMREC inferred resource to be consistent with NI43-101 requirements.

In developing the Kili Teke project, HGEL drilled 54 holes (for 36,325m), at an estimated cost of USD \$20 million. The mineral reserve and notable drill samples can be observed in Figure 6 below.

Figure 6: Kili Teke Inferred Mineral Resource model with key drill intercepts



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The project presents significant exploration resource upside, with near surface, high-grade Au skarn mineralisation not yet included in the defined Mineral Resource and potential for re-optimisation, bringing Kili Teke significantly closer to production as an open pit mine to increase economic returns.

The acquisition of Kili Teke will also provide KRL with immediate ownership of a quality exploration project in a region well known to KRL management and stakeholders. The Company views the acquisition as transformational for KRL and presents a number of opportunities for the Company given the clear development nature of Kili Teke (beyond early-stage greenfield exploration).

KRL's focus will be to close the acquisition of Kili Teke, re-establish community engagement and embark on a detailed review of options to reoptimize the project.

In Q4, the Company continued to work with HGEL to finalise permitting transfer arrangements ahead of closing.

### Corporate Development Initiatives

As noted above, the key corporate initiative for KRL in 2022 was execution of a definitive agreement with Harmony to acquire Kili Teke. Key commercial terms include the following:

- initial cash consideration of \$1 million, payable in two cash instalments: \$0.5 million on closing; and \$0.5 million on receipt of post-closing regulatory approvals (expected in early 2023);
- KRL will work towards a Preliminary Economic Assessment, then a Feasibility Study. If KRL views the Project positively at each step, KRL to make further payments to HGEL of \$3 million and \$4 million respectively;
- KRL to pay HGEL a 1.5% net smelter royalty from future mine revenue;
- potential for Harmony to become a strategic investor in KRL, with HGEL to be issued warrants equal to 9.9% of the issued share capital of KRL on closing (with each warrant exercisable at CAD \$0.28 per share or a 25% premium to the KRL 30-day VWAP to April 5, 2022); and
- Closing is subject to the Company satisfying various closing conditions.

In addition to Kili Teke, the Company continues to review other corporate initiatives; with a priority on consolidating the current portfolio of quality projects.

### Capital Markets

KRL announced a private placement in late 2021 with pricing set at CAD \$0.18 per share with a full attaching warrant priced at CAD \$0.36 for 36 months. Due to strong investor demand the Company increased the size of the placement twice closing oversubscribed. The first tranche closed on January 4, 2022, raising CAD \$1.67 million followed by the second tranche on January 21, 2022 with gross proceeds totalling CAD \$2.77 million.

A subsequent private placement was announced on [October 19, 2022](#) to raise up to CAD \$2.5 million. On [November 3, 2022](#), the Company completed the first tranche of the placement, securing CAD \$1.7 million in funding. A secondary tranche offering for the remaining CAD \$0.78 million was completed on [January 24, 2023](#).

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## Environmental, Social & Governance (ESG)

The Company is committed to ensuring a sustained approach to project development, in conjunction with local communities and remains focused on maintaining a strong social licence. Positive outcomes were evident from community support at Wardens' Hearings in Kainantu district when granting and consolidating rights to explore. KRL's community relations programs have proven to be very effective through proactive and ongoing engagement with representatives from local clans and stakeholders. Community sentiment continues to be highly supportive of KRL's work. Where practical the Company engages local labour and acquires supplies and produce from local communities we operate in.

The Community Relations team continues its focus on developing and maintaining good relationships within all the communities by:

- Establishing and maintaining positive community relations through effective communication and consultation;
- Effectively managing community grievances; and
- Minimising the adverse impact of KRL work in the community and environment.

The Company continues to work closely with the MRA and government at a national level, with the application for EL 2736 now granted on July 27, 2022 and subsequently EL 2755 and 2756 illustrating the Company's standing and reputation within PNG.

## Human Resources

During 2022, KRL continued to embed a performance-based culture within its employee group. Employees were assessed and reviewed based on their individual performance and alignment to the Company values through their behaviours.

Towards the end of H1 2022 and due to the increasing social activity related to the PNG national elections, KRL was restricted in its ability to confidently plan a safe and uninterrupted work program.

With the safety of KRL staff and the exposure of staff to serious security risks the Company implemented a re-focussed operational work program which involved the temporary suspension of certain field-based work activities.

Key focus areas continued to be worked on and community relations activities proceeded without interruption. Following the election period full field-work activities resumed in accordance with the operational priorities.

Workforce planning activities were undertaken leading into the completion of 2022 with the view of maximising the skills and expertise of the KRL employee group. Planning focussed on the allocation of resources in priority operational focus areas.

## Summary of Financial Results

All results are presented in United States Dollars unless otherwise noted.

### Results for year ended December 31, 2022

The Company is focused on the exploration programmes outlined above, with the cost of considerable exploration activities occurring during the period of \$2.03 million being capitalised. These costs include major expenses on sampling, assaying and analysis by a team of national and expatriate geologists

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and technical consultants. In addition, all support costs associated with supplies, logistics, transport, and accommodation are also included. Our policy is to capitalise all exploration costs (explained in detail under accounting policies below).

The closing cash position was \$0.31 million (subsequent to year end the 2<sup>nd</sup> Tranche of a private placement was complete that secured a total of CAD \$0.78 million). During the year ended to December 31, 2022, after raising \$3.07 million, cash used in operating activities was \$0.95 million and net investing cash outflows were \$2.46 million (inclusive of exploration expenditure and additions to investments).

For the year ended December 31, 2022, the Company recorded a net loss of \$1.49 million (2021 - \$1.78 million) and a loss per share of \$0.02 (2021 - \$0.04). The decrease in the net loss of \$0.29 million is attributed to the following:

- accounting and legal costs increased \$0.1 million to \$0.22 million (2021 - \$0.12 million) as well as corporate relations costs of \$0.19 million (2021 - \$Nil) associated with corporate initiative including company and project acquisitions;
- board and executive fees increased marginally to \$0.30 million (2021 - \$0.28 million) for the engagement of officeholders;
- share-based payments of \$0.18 million (2021 - \$0.60 million) a decrease of \$0.42 million for stock options granted on a graded vesting basis under the Company option plan, a non-cash item; and
- non recurring listing expense cost of \$0.38 million in 2021 associated with the qualifying transaction and reverse acquisition of the Company.

### Selected Financial Information

The following is a summary of selected financial information for the most recent quarter and prior periods, with prior year end financial information provided for reference and comparison. The company is transitioning to a calendar reporting cycle and following the current transitional period future analysis will be presented on a conventional quarterly and annual basis.

In thousands of United States Dollars	12 months ended December 31, 2022	13 months ended December 31, 2021	3 months ended December 31, 2022	3 months ended September 30, 2022	3 months ended June 30, 2022	3 months ended March 30, 2022
<b>Total revenues</b>	\$ Nil	Nil	Nil	Nil	Nil	Nil
<b>Loss for the period</b>	\$ (1,485)	(1,776)	(703)	(261)	(258)	(263)
Cash	331	649	331	145	428	1,415
Exploration and evaluation assets	6,198	4,166	6,198	5,944	5,509	4,881
<b>Total Assets</b>	\$ 7,609	5,508	7,609	6,757	6,815	7,212
<b>Total Liabilities</b>	\$ 708	451	708	618	413	517

Notes to the summary financial information above:

#### Revenue

- the Company has no revenues to date.

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### Loss for the period

- the loss in the 12-month period has decreased compared to the prior year 13-month period primarily due to a decrease in share-based payments and the listing fee associated with the qualifying transaction in the prior year; and
- the loss for the year ended December 31, 2022, is \$1.49 million compared to the prior year ended December 31, 2021 of \$1.78 million.

### Assets

- assets have increased as at December 31, 2022 from the prior period primarily due to an increase in exploration and evaluation assets;
- exploration and evaluation expenditure was capitalised pending the determination of technical feasibility and commercial viability; increasing by \$2.03 million during the year; and
- for the 2 most recent periods the breakdown of the material components of exploration and evaluation expenditure are as follows:

In thousands of United States Dollars	12 months ended December 31, 2022	13 months ended December 31, 2021
Assay and analysis	\$ 62	157
Consultants and contractors	641	324
Employees and labour	744	534
Field, camp and supply	230	167
Travel and accommodation	126	107
Vehicles, logistics and support	229	165
<b>Total</b>	<b>\$ 2,032</b>	<b>1,454</b>

### Liabilities

- liabilities have increased from the prior year primarily due to an increase on accounts payable and accrued liabilities; and
- liabilities increased in the quarters ended December 31 and September 30, 2022, with increased accounts and other payable amount, liabilities declined in the 3 months to June 30 after paying down the accounts payable balance outstanding.

### Summary of Quarterly Results

The following is a summary of quarterly financial information and results for the most recent 8 quarters.

In thousands of United States Dollars	Quarter ended December 31, 2022	Quarter ended September 30, 2022	Quarter ended June 30, 2022	Quarter ended March 31, 2022
<b>Working capital</b>	\$ (206)	(244)	437	1,344
<b>Share based payments &amp; Listing expense</b>	181	-	-	4
<b>Net loss for the period</b>	(703)	(261)	(258)	(263)
<b>Basic loss per share (cents)</b>	(0.01)	(0.004)	(0.004)	(0.004)



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In thousands of United States Dollars	Quarter ended December 31, 2021	Quarter ended September 30, 2021	4 months ended June 30, 2021	Quarter ended February 28, 2021
<b>Working capital</b>	\$ (420)	(760)	(1,423)	2,065
<b>Share based payments &amp; Listing expense</b>	415	-	-	566
<b>Net loss for the period</b>	(670)	(164)	(155)	(787)
<b>Basic loss per share (cents)</b>	(0.02)	(0.004)	(0.003)	(0.02)

### Discussion of Quarterly Results

A qualifying transaction was completed on December 3, 2020, including a concurrent financing with a significant one-off non-recurring listing expense and non-cash share-based payment expense recognised.

Throughout 2021 and 2022 the Company has focused on exploration activities at the mineral properties with the policy to capitalise these costs to exploration and evaluation assets, pending the determination of technical feasibility and commercial viability.

Net losses from professional fees, corporate and administrative, board and executive fees remain relatively constant in line with corporate activities since acquiring the mineral properties.

Share-based payments and the listing expense are separately disclosed given the non-cash and non-recurring nature respectively.

### Liquidity and Capitalisation

#### Working Capital

As at December 31, 2022, the cash balance was \$0.31 million (December 31, 2022- \$0.65) with short term liabilities of \$0.71 million (December 31, 2021- \$0.45 million).

During the year ended December 31, 2022:

- Operating Activities: cash used in operating activities amounted to \$0.95 million (2021 – \$0.88 million).
- Investing Activities: net cash used in investing activities was \$2.46 million (2021 - \$1.58 million) with cash outflows for exploration and evaluation of \$1.87 million (2021 – \$1.70 million) and \$0.03 million for payments for plant and equipment.
- Financing Activities: net cash received from financing after deducting issuance costs and the exercise of share purchase warrants and stock options was \$3.07 million (2021 – 3.02 million).

As of the date of this MD&A, the Company has no outstanding commitments except for minimum spending requirements on exploration licences. The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants.

### Long-Term Liabilities

The Company had no long-term liabilities as at December 31, 2022, or as at December 31, 2021.

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## Related Party Transactions

### *Key Management Personnel*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Board and executive management team.

Key management personnel compensation comprised fees paid and share-based compensation related to the fair value of the stock options granted to these key management personal. Total fees paid to key management personal in the year ended December 31, 2022, were \$0.49 million (2021 - \$0.32 million), including Director remuneration of \$0.08 (2021 - \$0.09 million) with \$37 (2021 - \$7) owing at December 31, 2022.

Recognition of share-based payments expense is included in the consolidated financial statements on a graded vesting basis. During the year ended December 31, 2022, share-based compensation for the key management personnel amounted to \$0.18 million (2020 - \$0.60 million).

### *Related Party Entities*

As at December 31, 2022, \$0.02 million was due to related parties Asia Pacific Energy Ventures Pte. Ltd ("APEV") and Pacific Energy Consulting Limited ("PEC") which are related by way of common director for recharged expenses to be reimbursed under a shared services agreement (December 31, 2021 – payable \$0.05 million).

In the period ended December 31, 2022 the Group incurred expenses through fees charged under the shared services agreement totalling \$0.08 million (2021 - \$0.12 million) for office space, administrative and provision of other support services provided by APEV and PEC. The agreement and expenses are incurred on arms length terms; and have been approved by the independent directors of the Company. In addition, the Company acquired a motor vehicle from PEC \$0.01 million (2021 - \$0.07 million) included in additions to Property & Equipment during the year.

PEC recharged expenses incurred on the Company's behalf of \$0.04 million (2021 - \$0.12 million) while the Company recharged costs relating employees seconded to PEC and associated expenses of \$0.18 million (2021 \$0.16 million) with additional consulting costs recharged to APEV of \$0.04 million (2021 - \$0.14 million). During the year working capital funds were provided to the Company totalling \$0.19 million.

## Off Balance Sheet Arrangements

The Company has no undisclosed off-balance sheet arrangements or financing structures in place.

## Shares on Issue

As at the reporting date, 76,329,016 common shares were issued and outstanding with 3,635,182 shares subject to escrow.

In addition, 5,000,000 deferred consideration shares will be issued for nil consideration where the Company establishes an inferred resource, 5,071,667 stock options are outstanding with 4,301,667 exercisable at a weighted average exercise price of CAD\$0.20 and 44,649,627 warrants are outstanding, exercisable at a weighted average exercise price of CAD\$0.31.

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## Critical Accounting Policies

The Company's significant accounting policies are described in Note 6 of its audited consolidated financial statements for the year ended December 31, 2022. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

## Significant Judgements and Estimates

The preparation of the interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

## Critical judgments in applying accounting policies

### Reverse Acquisition and Continuing Parent

On December 3, 2020, the Company and Kainantu Resources Pte. Ltd. completed the qualifying transaction which constituted a reverse acquisition. The shareholders of Kainantu Resources Pte. Ltd. obtained control of the Company.

The transaction was accounted for as a reverse acquisition in accordance with the guidance provided in IFRS 2, *Share-based Payments* and IFRS 3, *Business Combinations*. As the Company did not qualify as a business according to the definition in IFRS 3, the reverse acquisition did not constitute a business combination.

It has been determined Kainantu Resources Pte. Ltd. issued shares for the net assets of the Company and to obtain a listing status. Accordingly, no goodwill or intangible assets were recorded and for accounting purposes, Kainantu Resources Pte. Ltd. (legal subsidiary) was treated as the accounting parent company and the Company (legal parent) was considered the accounting subsidiary in these interim consolidated financial statements.

As Kainantu Resources Pte. Ltd. was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in the interim consolidated financial statements for the period ended December 30, 2020, at their historical carrying value (continuing parent). The Company's results of operations are included after the date of the acquisition.

The purchase price consideration being the equity instruments issued by Kainantu Resources Pte. Ltd. is based on the fair value per share for shares acquired by vendors at the transaction price of CAD \$0.07 and the shares retained by the shareholders of the Company based on the capital raising price of CAD \$0.20. Options and warrants issued were fair valued applying black-scholes option pricing.

The difference between the consideration and the identifiable assets received was recognised in the statement of loss and comprehensive loss as a listing expense are detailed in Note 2 of its audited consolidated financial statements for the year ended December 31, 2021.

### Change in Financial Year End

On July 29, 2021, the Company announced a change of financial year end to December 31 from November 30 as outlined in Note 4c of the audited consolidated financial statements. On this basis, the financial results are presented on a transitional basis for the 13 months ended December 30, 2021. During 2022 results are presented on a conventional quarterly and annual basis.

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## Key sources of estimation uncertainty

### Share-Based Payments

The determination of fair value of share-based compensation associated with stock options and finders' fee warrants require assumptions with respect to volatility, expected life and discount rates. Changes in these assumptions impact the share-based compensation recognised in profit or loss over the vesting period of the stock options.

### Income Taxes

The value of deferred tax assets are evaluated based on the probability of realisation which is currently assessed as improbable that such assets will be realised and accordingly a value for deferred tax assets is not recognised.

### Investments in Privately Held Companies

The fair value of any shares which are not listed or traded upon a stock exchange are originally recorded at cost, any subsequent adjustments are made to reflect any changes in value as a result of an independent third-party transaction. Downward adjustments to the carrying values are also made when there is evidence of a decline in value, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and other developments.

## Risks and Uncertainties

The Company is exposed to risks which may have a material effect on financial position, comprehensive income, cash flows and operations. Risks and uncertainties the Company considers material in assessing its financial statements are described below.

### Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they become due. The Company ensures there is sufficient capital to meet short term business requirements after taking into account cash and cash equivalents. All financial liabilities including accounts payable and accrued liabilities and loans from related party, are classified as current. As at December 31, 2022 the Company's financial liabilities include accounts payable and accrued and other liabilities of \$0.71 million all of which are due within twelve months, with available cash and cash equivalents of \$0.31 million.

### Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty is unable to fulfil its contractual payment obligations and arises primarily from the Company's financial assets. The Company is mainly exposed to credit risk on its cash and cash equivalents. Credit risk exposure is limited through depositing cash with high-credit quality financial institutions. The carrying value of these financial assets represents the maximum exposure to credit risk.

### Market risk

Market risk is the risk of loss that may arise from changes in market factors and prices such as interest rates, foreign exchange rates, and commodity and equity prices. The Company is currently not exposed to any material market risks.

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### **Foreign currency risk**

Foreign currency risk is the risk that the Company's financial performance will be affected by fluctuations in the exchange rates between currencies. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities in Canada, Singapore and PNG and is exposed to risk from changes in the USD, CAD, Singapore dollar and the PNG Kina. The Company manages this foreign currency risk by matching payments in the same currency where possible and monitoring movements in exchange rates.

### **Other risk factors**

The Company faces a variety of other risk factors encompassing operational, geological, environmental, licencing, financing, commodities prices and COVID-19 which are outlined below.

#### ***Exploration and Operational Risks***

The Company's operations are focused on mineral exploration and evaluation which involve a high degree of risk. No assurance can be given the acquisition of and exploration of resource properties will result in discovery of an economic mineral deposit which will be subsequently advanced to commercial production. To mitigate this risk the focus of the Company is on areas which are prospective for economic deposits and in the proximity of current mining operations.

The Company's operations are subject to hazards and risks normally associated with exploration, any of which could result in risk of injury, to property or the environment. Operations may also be subject to disruptions caused by physical geography, environmental, extreme weather and community interrelations which are outside the Company's control.

The Company's operations depend on the availability of adequate services and infrastructure including reliable air service, roads access including bridges, power sources, accommodation and water supply. Without appropriate services and infrastructure activities may be delayed and could result in higher costs.

#### ***Licenses***

The Company's mineral exploration activities are subject to the issue, renewal and maintaining licenses from appropriate government authorities. Failure to renew, transfer or the loss of a license may impact the Company's operations. The Company is also required to meet minimum expenditure amounts on the exploration licenses to maintain them in good standing.

#### ***Financing***

The Company will require additional funding with no revenues from operations and expects to incur operating losses in future periods on exploration projects, new business opportunities and working capital costs. The Company has relied upon equity subscriptions to date and will likely continue to depend upon these sources to finance its activities, with finite financial resources the ability to advance its projects will depend upon the ability to secure near and long-term financing. There can be no assurances that the Company will be successful in raising the desired level of financing on acceptable terms. These financing requirements may result in dilution of existing shareholders and the inability to obtain financing may result in delay or postponement of operations.

#### ***Gold and metal prices***

The value and price of the Company's common shares, the Company's financial results, and exploration, development and mining activities of the Company, if any, may be significantly adversely affected by declines in the price of metals. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as interest rates, exchange rates, inflation or deflation, global and regional supply and demand, and the political and economic conditions of mineral producing countries throughout the world.

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## **COVID-19**

The Company's business could be adversely affected by ongoing widespread global contagious diseases. In particular, the recent outbreak of COVID-19 has had a negative impact on the ability to freely travel and processing of field samples. The Company cannot accurately predict the impact COVID-19 will have on activities in the future, including the ability to obtain financing, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries.

## **Subsequent Events**

### **Private Placement**

Subsequent to the period ended December 31, 2022, on January 24, 2023 the Company issued 7,098,940 units ("Unit") at CAD\$0.11 for gross proceeds of CAD\$0.78 million. Each Unit consists of one common share and one common share purchase warrant of the Company, with each warrant being exercisable for one common share at an exercise price of CAD \$0.22 for a three-year period.

In connection with the offering no finder fees or compensation warrants were issued.

### **Hardrock Limited Acquisition**

On April 3, 2023 the Company announced the acquisition of the remaining 90% interest of Hardrock. Under a Share Sale Agreement KRL will issue 18 million common shares in consideration for the acquisition, representing a post completion 17.7% interest in the Company.

Following TSX-V approval, the common shares were issued on April 13, 2023 with the shares subject to a voluntary escrow of twelve (12) months for half the shares and twenty-four (24) months for the remaining shares.