



KARUS GOLD CORP.

Financial Statements

As at December 31, 2021



Independent auditor's report

To the Shareholders of Karus Gold Corp.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Karus Gold Corp. (the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the year ending December 31, 2021 and the period from incorporation on November 20, 2020 to December 31, 2020 in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's financial statements comprise:

- the statements of financial position as at December 31, 2021 and 2020;
- the statements of loss and comprehensive loss for the year ended December 31, 2021 and for the period from incorporation on November 20, 2020 to December 31, 2020;
- the statements of cash flows for the year ended December 31, 2021 and for the period from incorporation on November 20, 2020 to December 31, 2020;
- the statements of changes in shareholders' equity for the year ended December 31, 2021 and for the period from incorporation on November 20, 2020 to December 31, 2020; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that



includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 26, 2022

KARUS GOLD CORP.
Statements of Financial Position
(Expressed in Canadian dollars)

As at	Note	December 31, 2021	December 31, 2020
Assets			
Current assets			
Cash		\$ 632,961	\$ 1
Amounts receivable		25,975	-
Advances and prepaid expenses		64,872	-
		723,808	1
Non-current assets			
Deposits		121,000	-
Equipment	6	16,330	-
Mineral properties	5	10,902,017	-
Total assets		\$ 11,763,155	\$ 1
Liabilities			
Current liabilities			
Accounts payable		\$ 785,395	-
		785,395	-
Shareholders' equity			
Share capital	8	16,191,819	1
Warrants		190,601	-
Reserves		737,106	-
Deficit		(6,141,766)	-
Total shareholders' equity		10,977,760	1
Total shareholders' equity & liabilities		\$ 11,763,155	\$ 1
Nature of operations & going concern	1		
Spin out from KORE Mining Ltd.	4		
Subsequent events	14		

Approved by the Board of Directors:

"David Whittle"
 Director

"Scott Trebilcock"
 Director

The accompanying notes are an integral part of these financial statements

KARUS GOLD CORP.**Statements of Loss and Comprehensive Loss***(Expressed in Canadian dollars)*

		For the year ended December 31, 2021	For the period from incorporation on November 20, 2020 to December 31, 2020
	Note		
Expenses			
Depreciation	6	\$ 5,300	\$ -
Exploration and evaluation expenses	5	4,326,937	-
General and administration		221,884	-
Management fees and wages	9	418,748	-
Marketing, advisory and investor relations		315,729	-
Professional fees		256,172	-
Share-based payments	8	737,106	-
		(6,281,876)	-
Other income			
Flow through income	7	140,110	-
Loss and comprehensive loss for the year		\$ (6,141,766)	\$ -
Basic and fully diluted loss per common share		\$ (0.08)	\$ -
Weighted average number of common shares outstanding		73,086,289	1

The accompanying notes are an integral part of these financial statements

KARUS GOLD CORP.**Statements of Cash Flows***(Expressed in Canadian dollars)*

		For the year ended December 31, 2021	For the period from incorporation on November 20, 2020 to December 31, 2020
CASH USED IN OPERATING ACTIVITIES			
Loss for the period	\$	(6,141,766)	\$ -
Items not involving cash:			
Depreciation		5,300	-
Flow through income		(140,110)	-
Share-based payments		737,106	-
Interest expense		5,700	-
Changes in non-cash working capital items:			
Amounts receivable		(25,975)	-
Prepaid expenses and advances		(64,872)	-
Deposits		(106,000)	-
Accounts payable		785,395	-
		(4,945,222)	-
FINANCING ACTIVITIES			
Shares and warrants issued for cash		6,205,390	1
Issuance costs		(184,561)	-
Loan proceeds from KORE Mining Ltd		500,000	-
Repayment of loan from KORE Mining Ltd.		(505,700)	-
		6,015,129	1
INVESTING ACTIVITIES			
Spinout transaction costs		(407,242)	-
Mineral property interests		(20,000)	-
Acquisition of equipment		(9,705)	-
		(436,947)	-
Change in cash		632,960	1
Cash at beginning of period		1	-
Cash at end of period	\$	632,961	\$ 1
Supplemental cash flow information:			
Interest paid in cash	\$	5,700	\$ -
Income taxes paid in cash	\$	-	\$ -
Non-cash transactions			
Spinout of assets from KORE Mining Ltd.	\$	10,451,700	\$ -
Shares issued for mineral property	\$	50,000	\$ -

The accompanying notes are an integral part of these financial statements

KARUS GOLD CORP.**Statement of Changes in Shareholders' Equity***(Expressed in Canadian dollars)*

	Common Shares					
	Number	Amount	Warrants	Reserves	Deficit	Total Equity
		\$	\$	\$	\$	\$
Incorporation share	1	1	-	-	-	1
December 31, 2020	1	1	-	-	-	1
Shares distributed to shareholders of KORE pursuant to spinout	53,112,455	10,435,000	16,700	-	-	10,451,700
Shares issued pursuant to rights offering	26,556,228	3,983,434	-	-	-	3,983,434
Shares and warrants issued for private placements	4,261,329	1,520,007	133,724	-	-	1,653,731
Share issuance costs	-	(171,750)	(12,811)	-	-	(184,561)
Shares issuable on mineral property	90,909	50,000	-	-	-	50,000
Flow through shares and warrants issued for cash	778,391	515,237	52,988	-	-	568,225
Flow through premium liability	-	(140,110)	-	-	-	(140,110)
Share-based payments	-	-	-	737,106	-	737,106
Net loss for the year	-	-	-	-	(6,141,766)	(6,141,766)
December 31, 2021	84,799,313	16,191,819	190,601	737,106	(6,141,766)	10,977,760

The accompanying notes are an integral part of these financial statements

KARUS GOLD CORP.

Notes to the Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Karus Gold Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) (“BCBCA”) on November 20, 2020 under the name 1275702 B.C. Ltd. and subsequently changed its name to Karus Gold Corp. on December 11, 2020. The Company was incorporated as the target company for certain assets and liabilities spun out from KORE Mining Ltd. (“KORE”) in January 2021 (Note 4). The Company’s registered office is located at Suite 2500, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the foreseeable future, which is at least, but is not limited to, twelve months from the end of the reporting period.

As at December 31, 2021, the Company had working capital deficiency of \$61,587 (current assets less current liabilities) and has incurred net losses since inception, with a deficit of \$6,141,766. For the year ended December 31, 2021, the Company used cash flows in operations of \$4,945,222. Subsequent to December 31, 2021, the Company raised an additional \$2,000,000 (Note 14), however the Company’s ability to continue to operate and to carry out its planned exploration activities for the next twelve months is uncertain and dependent upon the continued financial support of its shareholders and on securing additional financing. There is, however, no assurance that any such initiatives will be sufficient and, as a result, this gives rise to a material uncertainty that may cast significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The summary of accounting policies set out below have been applied consistently to all periods presented in these financial statements.

These financial statements have been authorized for issue by the Board of Directors of the Company on April 26, 2021.

Basis of Measurement

These financial statements have been prepared on a historical cost basis. The statements are presented in Canadian dollars unless otherwise noted.

Significant Judgments, Estimates and Assumptions

The preparation of the Company’s financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Estimates and assumptions are regularly 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. Actual results could differ from these estimates. Significant estimates and critical judgements, including those that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year, are disclosed below.

KARUS GOLD CORP.

Notes to the Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (cont'd...)

Critical Judgments

The Company is required to make significant judgments whether there are indicators of impairment of the exploration and evaluation assets, by considering if the right to explore the specific area has expired or will be allowed to expire, whether further exploration and evaluation expenditures are neither planned or budgeted, or whether sufficient data exists to indicate that development of a specific area is unlikely to recover existing exploration and evaluation costs. If any of these indicators are present, management would need to assess whether the exploration and evaluation property is impaired.

The acquisition of assets and liabilities pursuant to the Spinout and distribution of Spinout Shares (Note 4) required management to make judgments regarding the treatment of the Spinout. Specifically, management made judgements determining that the Spinout was not a common-control transaction, as there was no contractual arrangement between the shareholders of KORE who subsequently became the shareholders of the Company, and accounted for it under IFRS 2, *Share-based payments*.

Significant Estimates

The determination of the fair value of the assets and liabilities transferred from KORE pursuant to the Spinout (Note 4) and consideration issued involved significant estimation and judgment by management. In determining the appropriate value, management relied on a number of factors, including a third-party valuation report, similar projects and recent transactions, comparable land packages and valuation of publicly traded entities, the historical exploration work and expenditures made on the project as well as external market conditions, and current and future commodity price expectations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within three months of purchase.

Foreign exchange

The functional and presentation currency of the Company is the Canadian dollar, based on the primary economic environment in which the Company operates.

Transactions in currencies other than the entity's functional currency are recorded at exchange rates prevailing on the dates of the transaction. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transaction. Exchange gains and losses arising on translation are included in profit and loss.

KARUS GOLD CORP.

Notes to the Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral Properties

Acquisition Costs

Costs incurred before the Company has acquired the right to explore a property are expensed as incurred. Exploration and evaluation asset acquisition costs, including option payments, are capitalized on an individual area of interest basis. Once a property is brought into production, the capitalized costs are amortized on a units-of-production basis, or until the properties are abandoned, sold or management determines that the asset is no longer economically viable, at which time the unrecoverable deferred costs are expensed to operations. Option payments relating to the acquisition of exploration and evaluation assets that are exercisable at the discretion of the Company are recorded when paid.

Exploration and evaluation asset acquisition costs include cash consideration and the estimated fair market value of share-based payments, in which the fair value is measured based upon the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the fair value of the goods or services cannot be estimated reliably, then the Company estimates the fair value with reference to the equity instruments granted.

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

Exploration and Evaluation Costs

Exploration and evaluation costs are expensed to operations as incurred.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular exploration and evaluation asset has been determined, the capitalized costs are assessed for impairment and then reclassified to mineral property development costs and carried at cost until the properties to which the expenditures relate are sold, abandoned or determined by management to be impaired in value. The establishment of technical feasibility and commercial viability of an exploration and evaluation asset is assessed based on a combination of factors, including:

- The extent to which mineral reserves or mineral resources as defined in National Instrument 43-101 have been identified through a feasibility study or similar document;
- The results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study;
- The status of environmental permits; and
- The status of mining leases or permits.

KARUS GOLD CORP.

Notes to the Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Decommissioning and Restoration

Decommissioning and restoration obligations encompass legal, statutory, contractual or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset.

A liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is amortized on either the unit-of-production basis or the straight-line basis, as appropriate. The Company's estimates of provisions for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised. As at December 31, 2021 the Company has determined that it does not have any significant decommissioning and restoration obligations related to its operations.

Impairment of Non-Financial Assets

Management reviews the carrying values of capitalized exploration and evaluation assets at the end of each reporting period for indications of impairment. Exploration and evaluation assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm's length basis between knowledgeable, willing parties, less costs of disposal.

Fair value less costs to sell is primarily derived using discounted cash flow techniques, which incorporates market participant assumptions and is based on post-tax cash flows that are discounted using a post-tax discount rate.

An impairment loss is recognized if the carrying value amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

KARUS GOLD CORP.**Notes to the Financial Statements****For the year ended December 31, 2021***(Expressed in Canadian dollars)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**Provisions**

Liabilities are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a finance expense.

Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax liabilities on temporary differences associated with shares in subsidiaries are not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences to which the initial recognition exemption does not apply, and for the carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of tax recovery or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Share-based Payments

The Company uses a fair value based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and certain consultants. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

KARUS GOLD CORP.

Notes to the Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based Payments (cont'd...)

The fair value of share-based payments is charged to profit or loss with the offsetting credit to share option reserve. The initial fair value of the share-settled options is recognized over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. If options vest immediately, the expense is recognized when the options are granted. When share options are exercised, the amounts previously recognized in share option reserve are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated expense recorded to date is reversed in the period of forfeiture. The carrying value of any share options that expire remain in share option reserve.

The Company also issues other forms of share-based awards, including restricted share units (“RSUs”). Where these instruments are only settled in shares, the expense is estimated on grant date based on the quoted market value and recognized over the vesting period. For share-based awards that may be cash-settled, the expense and liability are adjusted each reporting period for changes in the underlying share price as well as changes to vesting factors, as applicable.

Share Capital

When the Company issues units, the shares and warrants are measured using the relative fair value method. This method allocates value on a relative basis between the estimated fair value of each of the components.

Earnings (Loss) Per Share

Basic earnings (loss) per share are computed by dividing net earnings (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments.

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive, therefore, basic and diluted loss per share are the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company’s common shares for the period will be dilutive.

Financial Instruments - Recognition and Measurement

The Company classifies its financial assets and liabilities in the following measurement categories - i) those to be subsequently measured at amortized cost; or ii) those to be subsequently measured at fair value (either through other comprehensive income, or through profit or loss (“FVTPL”)).

The classification is driven by the business model for managing the financial assets and their contractual cash flow characteristics. The Company classifies its financial assets and financial liabilities as those to be subsequently measured at amortized cost. At initial recognition financial assets and liabilities are measured at fair value less transaction costs except for financial assets classified as FVTPL, where transaction costs are expensed directly to profit or loss.

KARUS GOLD CORP.

Notes to the Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Equipment

Property and equipment assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item consists of the purchase price plus any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Depreciation is recorded at the following rates: Vehicles 5 years straight line basis and Equipment 2-5 years straight line basis. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance certain portions of its Canadian exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Where the flow-through common share is issued as part of a unit, the value is first allocated between the unit and the flow-through premium, and then bifurcated between the common share and the warrant on a residual value basis. As qualified expenses are incurred the Company relieves the liability and recognizes the premium in profit or loss as other income. The Company may also be subject to a Part XII.6 tax on flow-through proceeds, renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

KARUS GOLD CORP.**Notes to the Financial Statements****For the year ended December 31, 2021***(Expressed in Canadian dollars)***4. SPINOUT TRANSACTION**

On January 25, 2021, KORE completed a plan of arrangement pursuant to which KORE transferred to the Company all of KORE's Canadian exploration properties, which included the FG Gold and Gold Creek projects in the South Cariboo property, as well as its Yukon property and related equipment and exploration deposits, in exchange for 53,112,455 shares ("Spinout Shares") of the Company, which were distributed to KORE shareholders on the basis of one share of the Company for every two KORE shares held (the "Spinout"). The date of close, January 25, 2021, is considered to be the measurement date. In addition, 1,750,000 warrants were issued to KORE warrant holders with an exercise price of \$0.75 until July 2022, and a 1% NSR to KORE (which was assigned a \$nil value).

The value of the consideration paid is based on the fair value of the assets acquired. The fair value of the assets acquired was estimated as \$10,858,942 on the measurement date, which was determined by management based on a variety of factors (Note 2). The fair value of the 1,750,000 warrants issued in connection with the Spinout was \$16,700 using the Black Scholes valuation method with the following assumptions: risk-free interest rate of 0.41%, annualized expected volatility of 75%, expected term of 1.5 years and a dividend yield of 0%.

Consideration issued	
Shares issued	\$ 10,435,000
Warrants issued	16,700
Transaction costs	407,242
	\$ 10,858,942
Assets acquired:	
Deposits	\$ 15,000
Equipment	11,925
Exploration & evaluation assets	10,832,017
	\$ 10,858,942

In connection with the Spinout, KORE also loaned the Company an initial \$500,000 for a term of up to one year and bearing interest at 8% per annum. The Company repaid this loan with proceeds from the rights offering (Note 6), along with accrued interest of \$5,700, during the year ended December 31, 2021.

5. MINERAL PROPERTIES**Acquisition of South Cariboo Property**

Pursuant to the spinout from KORE (Note 4), the Company acquired a collection of claims in BC comprising the South Cariboo property, which includes the 'FG Gold project' and the 'Gold Creek project', located in the Cariboo Mining Division, British Columbia, Canada.

The South Cariboo property includes certain option agreements which collectively have annual payments of \$45,000 payable in 2021 up to \$150,000 in 2025, for total future payments of \$625,000. In addition, one option agreement provides for the issuance of shares with a fair market value at the time of issuance of \$25,000 in 2021 increasing to \$160,000 in 2025, for total share consideration of \$410,000 and one option agreement also requires annual expenditures of \$35,000 in 2021 and an additional \$40,000 in 2022. For the year ended December 31, 2021, the Company met all requirements by making a payment of \$20,000 and issuing 90,909 common shares at a value of \$50,000. These option agreements also impose a 1%-2% NSR, of which a portion can be repurchased in certain cases, and one agreement requires a bonus payment of \$1.50 per ounce identified as inferred, indicated or measured in a 43-101 report on the specific claims in the agreement.

KARUS GOLD CORP.**Notes to the Financial Statements****For the year ended December 31, 2021***(Expressed in Canadian dollars)***5. MINERAL PROPERTIES (cont'd...)****Acquisition of South Cariboo Property (cont'd...)**

The South Cariboo property is subject to additional various net smelter royalties (“NSR”) ranging from 1%-3%, certain of which can be repurchased or have maximum payout terms. Included in these NSRs is a 1% NSR issued to KORE pursuant to the spinout on all claims not otherwise encumbered.

Acquisition of Yukon Claims

The Company holds a 100% interest in the White Gold Project, located in Yukon, Canada, acquired as part of the spinout from KORE (Note 4). The property is subject to annual work commitments of \$187,500 in each of 2020, 2021 and 2022.

Mineral Property Interests

Details of the South Cariboo mineral property balance is as follows:

	South Cariboo Region
Balance, December 31, 2020	-
Acquired from Kore Mining	10,832,017
Additions	70,000
Balance, December 31, 2021	10,902,017

Exploration & Evaluation Expenses

	For the year ended December 31, 2021	For the period from incorporation on November 20, 2020 to December 31, 2020
Assays and analysis	\$ 382,949	\$ -
Claim, staking, holding and taxes	16,831	-
Community engagement	42,055	-
Drill program	2,508,243	-
Engineering and development	63,462	-
Geophysics and ground prospecting	105,405	-
Project general & admin	431,745	-
Project staff & contractors	525,354	-
Travel, logistics & camp costs	300,893	-
Other recovery	(50,000)	-
	\$ 4,326,937	\$ -

KARUS GOLD CORP.**Notes to the Financial Statements****For the year ended December 31, 2021***(Expressed in Canadian dollars)***6. EQUIPMENT**

Cost:	Equipment	Vehicle	Total
Balance, December 31, 2020	\$ -	\$ -	\$ -
Additions	9,705	-	9,705
Acquired from Kore Mining	3,375	8,550	11,925
Balance, December 31, 2021	\$ 13,080	\$ 8,550	\$ 21,630

Accumulated depreciation:	Equipment	Vehicle	Total
Balance, December 31, 2020	-	-	\$ -
Additions	3,590	1,710	5,300
Balance, December 31, 2021	\$ 3,590	\$ 1,710	\$ 5,300

Net book value			
Balance, December 31, 2021	\$ 9,490	\$ 6,840	\$ 16,330

7. FLOW THROUGH LIABILITY

A flow-through premium liability of \$140,110 was allocated to the flow-through obligation in connection with the Company's September 2021 private placement of 778,391 flow through units for gross proceeds of \$568,225 (Note 8). As at December 31, 2021, the Company has incurred flow through expenditures of \$568,225 towards its obligation to incur a total of \$568,225. Accordingly, the full amount of the flow through premium liability of \$140,110 has been amortized into profit and loss as flow through income.

8. SHARE CAPITAL**Authorized**

Unlimited number of common shares with no par value.

Issued and Outstanding

On November 20, 2020, the date of incorporation, the Company issued one common share at a price of \$1.00.

Pursuant to the spinout from KORE (Note 4), the Company issued 53,112,455 shares with a fair value of \$10,435,000 in January 2021 at the time of issuance and 1,750,000 warrants with a fair value of \$16,700 (Note 4).

In March 2021, the Company issued 2,300,000 common shares pursuant to a private placement for gross proceeds of \$575,000.

In March 2021, the Company completed a rights offering whereby 26,556,228 shares were issued to Karus shareholders at a price of \$0.15 per share for gross proceeds of \$3,983,434. In connection with this offering, the Company incurred share issuance costs of \$74,141.

In September 2021, the Company issued 1,529,929 units at a price of \$0.55 per unit ("Unit") pursuant to a private placement. Each unit consists of one share and one half share purchase warrant, where each whole warrant entitles the holder to acquire an additional share of the Company at a price of \$0.85 for a period of 24 months. The Company allocated \$104,147 to the warrants using the relative fair value method, where the fair value of the warrants was determined using Black Scholes with the following assumptions: interest rate of 0.52%, volatility of 75%, expected life of 2 years and a dividend yield of 0%. The Company incurred cash issuance costs of \$91,673 which was allocated on the same pro-rata allocation as the proceeds with \$80,327 allocated to shares and \$11,346 to warrants.

KARUS GOLD CORP.

Notes to the Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian dollars)

8. SHARE CAPITAL (cont'd...)

Issued and Outstanding (cont'd...)

In September 2021, the Company issued 778,391 flow through units at a price of \$0.73 per flow through unit ("FT Unit") pursuant to a private placement. Each FT Unit consists of one flow through share and one-half share purchase warrant, where each whole warrant entitles the holder to acquire an additional share of the Company at a price of \$0.85 for a period of 24 months. The Company allocated \$140,110 as the flow through premium and recorded this as its flow through liability. The Company then allocated \$52,988 to the warrants using the relative fair value method, where the fair value of the warrants was determined using Black Scholes with the following assumptions: interest rate of 0.52%, volatility of 75%, expected life of 2 years and a dividend yield of 0%.

In October 2021, the Company issued 90,909 shares pursuant to a certain option agreement (Note 5) which required a share payment with a value of \$25,000 and a cash payment with a value of \$25,000. These shares were issued as full settlement of the \$50,000 2021 obligation.

In December 2021, the Company issued 281,400 units at a price of \$0.55 per Unit pursuant to a private placement in connection with an offering memorandum. Each unit consists of one share and one half share purchase warrant, where each whole warrant entitles the holder to acquire an additional share of the Company at a price of \$0.85 for a period of 24 months. The Company allocated \$19,293 to the warrants using the relative fair value method, where the fair value of the warrants was determined using Black Scholes with the following assumptions: interest rate of 0.95%, volatility of 75%, expected life of 2 years and a dividend yield of 0%. The Company incurred cash issuance costs of \$7,836 which was allocated on the same pro-rata allocation as the proceeds with \$6,859 allocated to shares and \$977 to warrants.

In December 2021, the Company issued 150,000 units at a price of \$0.55 per Unit pursuant to a private placement. Each unit consists of one share and one half share purchase warrant, where each whole warrant entitles the holder to acquire an additional share of the Company at a price of \$0.85 for a period of 24 months. The Company allocated \$10,284 to the warrants using the relative fair value method, where the fair value of the warrants was determined using Black Scholes with the following assumptions: interest rate of 0.95%, volatility of 75%, expected life of 2 years and a dividend yield of 0%. The Company incurred cash issuance costs of \$3,918 which was allocated on the same pro-rata allocation as the proceeds with \$3,430 allocated to shares and \$488 to warrants.

The common shares issued as part of the units in the December 2021 offerings include an anti-dilution right ("Anti-Dilution Right") whereby the Company will automatically issue additional common shares should the Company, provided it is not listed and trading on a stock exchange, issues common shares at a price less than \$0.55 per common share ("Lower Per Share Price"). The number of shares to be issued will equal the difference between the investment divided by the Lower Per Share Price and the number of shares originally issued at \$0.55.

Subsequent to December 31, 2021, the Company settled \$52,500 of related party accounts payable through the issuance of 95,454 common shares which included the same Anti-Dilution Right.

KARUS GOLD CORP.
Notes to the Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian dollars)

8. SHARE CAPITAL (cont'd...)

Warrants

A summary of the warrant activity for the year ended December 31, 2021 is as follows:

	Number of warrants outstanding	Weighted average exercise price \$
Balance, December 31, 2020	-	\$ -
Issued	1,369,856	0.85
Issued pursuant to spinout (Note 4)	1,750,000	0.75
Balance, December 31, 2021	3,119,856	\$ 0.79

As at December 31, 2021, the following warrants were outstanding:

Expiry date	Number of warrants outstanding	Exercise price \$
July 22, 2022	1,500,000	\$ 0.75
July 27, 2022	250,000	\$ 0.75
September 2, 2023	788,475	\$ 0.85
September 10, 2023	365,681	\$ 0.85
December 2, 2023	17,500	\$ 0.85
December 21, 2023	123,200	\$ 0.85
December 23, 2023	75,000	\$ 0.85
	3,119,856	

Stock Options

Pursuant to a rolling stock option plan (the "Option Plan") for directors, officers, employees and consultants, approved January 20, 2021, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares, with the exercise price to be determined on the date of issuance of the options. The term of options granted under the Option Plan may not exceed five years and such options vest at terms to be determined by the board of directors at the time of the grant, but the exercise price shall not be less than the price determined by the policies of the stock exchange on which the Company's common shares are then listed.

A summary of stock option activity for the year ended December 31, 2021 is as follows:

	Number of options outstanding	Weighted average exercise price \$
Balance, December 31, 2020	-	\$ -
Granted	4,320,000	0.25
Forfeited	(20,000)	0.25
Balance, December 31, 2021	4,300,000	\$ 0.25

KARUS GOLD CORP.
Notes to the Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian dollars)

8. SHARE CAPITAL (cont'd...)

Stock Options (cont'd...)

As at December 31, 2021, the following stock options were outstanding and exercisable:

Expiry date	Number of options outstanding	Number of options exercisable	Exercise price \$
March 7, 2026	4,300,000	187,500	\$ 0.25
	4,300,000	187,500	\$ 0.25

Restricted Share Units

In January 2021, the Company's shareholders approved the Omnibus Plan ("Omnibus Plan"), which is a fixed plan that reserves for issuance a maximum of 5,303,746 common shares as equity-based compensation awards. Together with the 10% rolling stock option plan, only a maximum of 10% of instruments under the Omnibus Plan and Option Plan may be granted to insiders. Awards under the Omnibus Plan may be granted in a form as designated by the Board, including restricted share units, deferred share units and other performance based instruments.

A summary of restricted share unit activity for the year ended December 31, 2021 is as follows:

	Number of RSUs outstanding
Balance, December 31, 2020	-
Granted	2,605,000
Balance, December 31, 2021	2,605,000

As at December 31, 2021, the following RSUs were outstanding and exercisable:

Grant date	Number of RSUs outstanding	Number of RSUs exercisable
March 8, 2021	2,605,000	-
	2,605,000	-

KARUS GOLD CORP.**Notes to the Financial Statements****For the year ended December 31, 2021***(Expressed in Canadian dollars)*

8. SHARE CAPITAL (cont'd...)**Share-Based Compensation**

During the year ended December 31, 2021, the Company granted 4,320,000 stock options and 2,605,000 RSUs to directors, officers, employees and consultants.

The fair value of the stock options granted was \$533,747 or \$0.12 per option was determined using the Black Scholes option valuation model and \$338,327 was recognized as share-based payments expense in relation to the vesting of options for the year ended December 31, 2021.

Share-based payments expense was determined using the following weighted average assumptions:

	December 31, 2021
Risk free interest rate	0.99%
Expected life	3.0
Annualized volatility	75%
Dividend rate	0%

The RSUs granted are payable in common shares of the Company, vest in tranches over two years and are valid for a term of five years. The Company recognizes the expense at the fair market value at grant date, being \$651,250 and amortizes it over the vesting period. For the year ended December 31, 2021, \$398,779 was recognized as share-based payments expense.

9. RELATED PARTY TRANSACTIONS**Related Party Transactions**

During the year ended December 31, 2021, the related party transactions, not disclosed elsewhere in these financial statements, were as follows:

- a) Reimbursement of costs of \$141,312 to KORE, which was included in accounts payable as at December 31, 2021.
- b) Amounts owing to all related parties are unsecured, non-interest bearing and due on demand. As at December 31, 2021, \$127,250 is due to related parties, exclusive of the amounts due to KORE.

Key Management Compensation

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the Chairman, President & Chief Executive Officer, Chief Financial Officer, and Directors. For the year ended December 31, 2021, total key management compensation was \$872,157, which includes management fees and salaries of \$363,831 and share-based payments of \$508,326.

KARUS GOLD CORP.

Notes to the Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian dollars)

10. MANAGEMENT OF CAPITAL

The Company considers items within equity as capital.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations; to perform mineral exploration activities on the Company's exploration projects; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that is intended to provide sufficient funding for operational and capital expenditure activities. When necessary, the Company may seek to secure funds, through debt funding or equity capital. There can be no assurances that the Company will be able to obtain debt or equity capital in the future. (See Note 1).

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements. There have not been any changes to the Company's capital management policy during the year.

11. RISK MANAGEMENT

Financial Risk Management

The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

a. Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash.

The Company has assessed its exposure to credit risk on its cash and has determined that such risk is minimal. The majority of the Company's cash is held with reputable financial institutions in Canada.

b. Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at December 31, 2021, the Company had a working capital deficiency of \$61,587 and it does not have any long term monetary liabilities. The Company will seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all (see Note 1). The Company's approach to managing liquidity risk is to endeavor to ensure that it will have sufficient liquidity to meet liabilities when they fall due. As at December 31, 2021, the Company had cash of \$632,961 to settle current liabilities of \$785,395. The Company's financial liabilities as at December 31, 2021 have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

c. Interest Rate Risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company holds its cash and cash equivalents on which it earns variable rates of interest, and may therefore be subject to a certain amount of risk, though this risk is considered by management to be immaterial.

KARUS GOLD CORP.**Notes to the Financial Statements****For the year ended December 31, 2021***(Expressed in Canadian dollars)***11. RISK MANAGEMENT (cont'd...)****Financial Risk Management (cont'd...)****d. Foreign Currency Risk**

Foreign currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company maintains its cash reserves primarily in Canadian and the majority of the Company's expenditures are denominated in Canadian dollars. The Company considers its exposure to foreign currency risk to be immaterial.

Fair Values

The carrying values of cash, amounts receivable, deposits, and trade and other accounts payable approximate fair values due to their short-term to maturity nature.

12. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and development of exploration and evaluation properties in Canada.

13. INCOME TAXES

The income tax provision differs from the amount computed by applying the statutory rates to loss before income taxes. These differences result from the following:

	2021	2020
Income (loss) for the year	\$ (6,141,766)	\$ -
Expected income tax (recovery)	\$ (1,658,000)	-
Change in statutory rates and other	184,000	-
Permanent differences	161,000	-
Share issue cost	(50,000)	-
Change in unrecognized deductible temporary differences	1,363,000	-
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position as follows:

	2021	Expiry Date Range	2020
Temporary Differences			
Exploration and evaluation assets	\$ 3,561,000	No expiry date	\$ -
Property and equipment	5,000	No expiry date	-
Share issue costs	148,000	2042 to 2046	-
Non-capital losses available for future periods	1,331,000	2041	-

KARUS GOLD CORP.

Notes to the Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian dollars)

14. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, the Company:

- Completed a \$2,000,000 strategic investment from Yamana Gold Inc. in March 2022 through the issuance of 5,714,286 common shares with an option to invest a further \$3,000,000 exercisable at any time until March 28, 2025. The investment included certain rights, including a nomination of one individual to the board and technical advisory committee, anti-dilution rights and top-up rights, subject to its exercising the additional \$3,000,000 investment and continuing to beneficially own or control not less than 5% of the Company.
- Issued an additional 301,055 common shares pursuant to the Anti-Dilution Rights (Note 8) triggered by the March 2022 financing.
- Settled \$52,500 of accrued management services fees through the issuance of 149,999 common shares and 47,727 warrants at a price of \$0.85 per common share expiring January 19, 2024