

**KARUS GOLD CORP.**

**Condensed Interim Financial Statements**

**As at March 31, 2022**

**(Unaudited)**

**KARUS GOLD CORP.**  
**Condensed Interim Statements of Financial Position**  
*(Unaudited)*  
*(Expressed in Canadian dollars)*

<b>As at</b>	Note	<b>March 31, 2022</b>	December 31, 2021
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash		<b>2,232,701</b>	632,961
Amounts receivable		<b>18,530</b>	25,975
Advances and prepaid expenses		<b>65,881</b>	64,872
		<b>2,317,112</b>	723,808
<b>Non-current assets</b>			
Deposits		<b>121,000</b>	121,000
Equipment		<b>14,531</b>	16,330
Mineral properties	3	<b>10,910,243</b>	10,902,017
<b>Total assets</b>		<b>13,362,886</b>	11,763,155
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable		<b>916,333</b>	785,395
		<b>916,333</b>	785,395
<b>Shareholders' equity</b>			
Share capital	4	<b>17,530,268</b>	16,191,819
Shares to be issued	4	<b>105,371</b>	-
Warrants		<b>197,180</b>	190,601
Reserves		<b>1,515,491</b>	737,106
Deficit		<b>(6,901,757)</b>	( 6,141,766)
<b>Total shareholders' equity</b>		<b>12,446,553</b>	10,977,760
<b>Total shareholders' equity &amp; liabilities</b>		<b>13,362,886</b>	11,763,155
Nature of operations & going concern	1		
Subsequent events	3, 4		

*The accompanying notes are an integral part of these financial statements*

**KARUS GOLD CORP.****Condensed Interim Statements of Loss and Comprehensive Loss***(Unaudited)**(Expressed in Canadian dollars, except for number of shares)*

		<b>For the three months ended March 31, 2022</b>	<b>For the three months ended March 31, 2021</b>
		<b>\$</b>	<b>\$</b>
	Note		
<b>Expenses</b>			
Depreciation		1,799	850
Exploration and evaluation expenses	3	298,628	307,988
General and administration		62,253	26,141
Management fees and wages	5	97,237	58,213
Marketing, advisory and investor relations		40,234	46,726
Professional fees		83,556	89,082
Share-based payments	4	176,284	65,899
<b>Loss and comprehensive loss for the period</b>		<b>(759,991)</b>	<b>(594,899)</b>
Basic and fully diluted loss per common share		(0.01)	(0.01)
Weighted average number of common shares outstanding		84,881,897	42,873,298

*The accompanying notes are an integral part of these financial statements*

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

	<b>For the three months ended March 31, 2022</b>	For the three months ended March 31, 2021
	\$	\$
<b>CASH USED IN OPERATING ACTIVITIES</b>		
Loss for the period	(759,991)	(594,899)
Items not involving cash:		
Depreciation	1,799	850
Share-based payments	176,284	65,899
Interest expense	-	5,700
Changes in non-cash working capital items:		
Amounts receivable	7,445	(20,574)
Prepaid expenses and advances	(1,009)	(20,418)
Accounts payable	183,438	310,566
	<b>(392,034)</b>	<b>(252,876)</b>
<b>FINANCING ACTIVITIES</b>		
Shares and warrants issued for cash	2,000,000	4,558,434
Issuance costs	-	(44,314)
Loan proceeds from KORE Mining Ltd	-	500,000
Repayment of loan from KORE Mining Ltd.	-	(505,700)
	<b>2,000,000</b>	<b>4,508,420</b>
<b>INVESTING ACTIVITIES</b>		
Spinout transaction costs	-	(407,242)
Mineral property interests	(8,226)	-
	<b>(8,226)</b>	<b>(407,242)</b>
<b>Change in cash</b>	<b>1,599,740</b>	<b>3,848,302</b>
Cash at beginning of period	632,961	1
<b>Cash at end of period</b>	<b>2,232,701</b>	<b>3,848,303</b>
<b>Supplemental cash flow information:</b>		
Interest received in cash	22	-
Interest paid in cash	-	5,700
<b>Non-cash investing and financing transactions:</b>		
Shares issued for services	52,500	-

*The accompanying notes are an integral part of these financial statements*

**KARUS GOLD CORP.****Condensed Interim Statements of Changes in Shareholders' Equity***(Unaudited)**(Expressed in Canadian dollars)*

	<b>Common Shares</b>		<b>Shares to be Issued</b>	<b>Warrants</b>	<b>Reserves</b>	<b>Deficit</b>	<b>Total Equity</b>
	<b>Number</b>	<b>Amount \$</b>					
<b>December 31, 2020</b>	1	1	-	-	-	-	1
Shares distributed to shareholders of KORE pursuant to Spinout	53,112,455	10,435,000	-	-	-	-	10,435,000
Shares issued pursuant to rights offering	26,556,228	3,983,434	-	-	-	-	3,983,434
Shares and warrants issued for private placements	2,300,000	575,000	-	16,700	-	-	591,700
Share issuance costs	-	(74,143)	-	-	-	-	(74,143)
Share-based payments	-	-	-	-	65,899	-	65,899
Net loss for the period	-	-	-	-	-	(594,899)	(594,899)
<b>March 31, 2021</b>	81,968,684	14,919,292	-	16,700	65,899	(594,899)	14,406,992
<b>December 31, 2021</b>	84,799,313	16,191,819	-	190,601	737,106	(6,141,766)	10,977,760
Shares issued for private placements (Note 4)	5,714,286	1,397,899	-	-	602,101	-	2,000,000
Units issued for debt (Note 4)	95,454	45,921	-	6,579	-	-	52,500
Shares to be issued pursuant to price protection provision (Note 4)	-	(105,371)	105,371	-	-	-	-
Share-based payments	-	-	-	-	176,284	-	176,284
Net loss for the period	-	-	-	-	-	(759,991)	(759,991)
<b>March 31, 2022</b>	90,609,053	17,530,268	105,371	197,180	1,515,491	(6,901,757)	12,446,553

*The accompanying notes are an integral part of these financial statements*

**KARUS GOLD CORP.****Notes to the Condensed Interim Financial Statements****March 31, 2022***(Unaudited)**(Expressed in Canadian dollars)*

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**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”). 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 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 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 future, which is at least, but is not limited to, twelve months from the end of the reporting period.

As at March 31, 2022, the Company had working capital of \$1,400,778 and has incurred net losses since inception, with a deficit of \$6,901,757. During the three months ended March 31, 2022, the Company used cash flows in operations of \$392,034 and raised \$2,000,000 from private placement. The Company’s ability to continue to operate and to carry out its planned exploration activities for the next twelve months however, is uncertain and dependent upon the continued financial support of its shareholders and on securing additional financing. There is 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 condensed interim 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 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) as applicable to interim financial reports, including International Accounting Standard 34, “Interim Financial Reporting”. These financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS. The accounting policies adopted are consistent with those of the previous financial year.

These unaudited condensed interim consolidated financial statements have been authorized for issue by the Board of Directors of the Company on May 26, 2022.

**Basis of Measurement**

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

**KARUS GOLD CORP.****Notes to the Condensed Interim Financial Statements****March 31, 2022***(Unaudited)**(Expressed in Canadian dollars)*

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**Significant Accounting Estimates and Judgments**

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors believed to be reasonable under the circumstances and result in judgments about the carrying value of assets and liabilities. Actual results could differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were consistent with those applied to the annual audited consolidated financial statements for the year ended December 31, 2021.

**3. MINERAL PROPERTIES****South Cariboo Property**

The Company holds a collection of claims in British Columbia 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.

As part of the FG Gold land holdings, the Company is subject to certain mineral property agreements, including certain option agreements to acquire nearby and contiguous properties. The option agreements collectively have annual payments ranging from \$87,500 payable in 2021 up to \$150,000 in 2025, for total option payments of \$625,000 during this period. In addition, one option agreement provides for the issuance of common shares of the Company with a fair market value at the time of issuance ranging from \$25,000 in 2021 increasing to \$160,000 in 2025, for total share consideration of \$410,000 during this period. One option agreement also requires total exploration expenditures of \$75,000 during 2021 and 2022, combined. These option agreements also impose a 1%-2% net smelter returns royalty ("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.

During the year ended December 31, 2021, the Company issued 90,909 shares pursuant to an option agreement with 2021 obligations of a cash payment of \$25,000 and a share issuance with a value of \$25,000. The 90,909 shares were issued as full settlement of the 2021 obligations pursuant to this option agreement. As of March 31, 2022, if the Company were to exercise its option pursuant to these agreements, it will be required to make cash payments of \$537,500 and issue shares with fair market value of \$385,000 until 2025. Of this total, cash payments of \$122,500 and common shares to be issued worth \$50,000 would be required during fiscal 2022.

**Yukon Claims**

The Company holds a 100% interest in the White Gold Project, located in Yukon, Canada. The property is subject to annual work commitments of \$187,500. In May 2022, the Company terminated the agreement and transferred the claims back to the original vendor. As such, the Company does not have any work commitments remaining on these claims.

**KARUS GOLD CORP.****Notes to the Condensed Interim Financial Statements****March 31, 2022***(Unaudited)**(Expressed in Canadian dollars)***Exploration & Evaluation Expenses**

	<b>For the three months ended March 31, 2022</b>	For the three months ended March 31, 2021
	\$	\$
Assays and analysis	124,676	207,967
Community engagement	-	6,383
Drill program	-	4,953
Engineering and development	-	6,678
Geophysics and ground prospecting	-	1,608
Project general & admin	31,941	3,916
Project staff & contractors	141,962	68,125
Travel, logistics & camp costs	49	8,358
	<b>298,628</b>	<b>307,988</b>

**4. SHARE CAPITAL****Authorized**

Unlimited number of common shares with no par value.

**Issued and Outstanding**

As at March 31, 2022, there were 90,609,053 common shares outstanding (December 31, 2021 – 84,799,313).

The Company had the following share transactions during the three months ended March 31, 2022:

- In January 2022, the Company issued 95,454 units in settlement of previously incurred management fees. 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 fair value of these units was determined to be \$52,500 (at \$0.55 per unit) based on the Company's recent unit private placements. The Company allocated \$6,579 to the warrants using the relative fair value method, where the fair value of the warrants was determined using Black Scholes Option Pricing Model ("Black Scholes") with the following assumptions: interest rate of 1.27%, volatility of 75%, expected life of 2 years and a dividend yield of 0%.
- In March 2022, the Company issued 5,714,286 common shares pursuant to a private placement for gross proceeds of \$2,000,000 through strategic investment by Yamana Gold Inc. ("Yamana"). Yamana has an option to invest a further \$3,000,000 at a price of \$0.50 per share (for additional investment of 6,000,000 common shares), exercisable at any time until March 28, 2025 (the "Yamana Option"). The total value of the investment was allocated between share capital and reserves using the relative fair value method, where the fair value of the Yamana Option was determined using Black Scholes with the following assumptions: share price of \$0.35, interest rate of 2.36%, volatility of 75%, expected life of 3 years and a dividend yield of 0%. Total value allocated to the Yamana Option was \$602,101.

The investment by Yamana includes certain rights, including a nomination of one individual to the board and technical advisory committee, participation rights in subsequent share offerings, 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. As at the date of this condensed interim financial statements, Yamana owns approximately 6.3%



**KARUS GOLD CORP.****Notes to the Condensed Interim Financial Statements****March 31, 2022***(Unaudited)**(Expressed in Canadian dollars)*

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of the issued and outstanding common shares of the Company.

The investment by Yamana also includes a price protection right (“Yamana Price Protection Right”) whereby the Company is required to issue additional common shares should the Company, provided it is not listed and trading on a stock exchange, issue common shares at a price less than \$0.30 per common share (“Yamana Lower Per Share Price”). The potential number of shares to be issued to Yamana are equal to the difference between the \$2,000,000 original investment divided by the Yamana Lower Share Price and 5,714,286, the number of shares originally issued to Yamana by the Company.

The common shares issued as part of the units in the December 2021 offerings and the units issued in settlement of management fees, as described above, also include a price protection right (“Price Protection Right”) whereby the Company is required to 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 are equal to the difference between the investment divided by the Lower Per Share Price and the number of shares originally issued at \$0.55.

During the three months ended March 31, 2022, these Price Protection Rights were triggered as a result of the investment by Yamana and therefore, the Company is required to issue 301,055 common shares. The fair value of these shares was recognized as \$0.35 per share, being the price of the investment by Yamana, and considered by the Company a cost of issuing the shares to Yamana. These shares were issued on April 4, 2022. The calculation of any future issuances of common shares pursuant to the Price Protection Right would be based on a price of \$0.35 per share compared to the original trigger point of \$0.55 per share.

The issuance of additional shares under the Price Protection Right, including the Yamana Price Protection Right, is limited to individual subscribers not holding more than 9.9% of the common shares outstanding of the Company.

**Warrants**

A summary of the warrant activity for the three months ended March 31, 2022 is as follows:

	<b>Number of warrants outstanding</b>	<b>Weighted average exercise price \$</b>
<b>Balance, December 31, 2021</b>	3,119,856	0.79
Issued as settlement of management services fees	47,727	0.85
<b>Balance, March 31, 2022</b>	<b>3,167,583</b>	<b>0.79</b>

**KARUS GOLD CORP.****Notes to the Condensed Interim Financial Statements****March 31, 2022***(Unaudited)**(Expressed in Canadian dollars)*

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As at March 31, 2022, the following warrants were outstanding:

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<b>Expiry date</b>	<b>Number of warrants outstanding</b>	<b>Exercise price \$</b>
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
January 19, 2024	47,727	0.85
	<b>3,167,583</b>	<b>0.79</b>

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**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.

As at March 31, 2022 and December 31, 2021, the following stock options, excluding the Yamana Option, were outstanding and exercisable:

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

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The fair value of the stock options granted during the three months ended March 31, 2022 was \$Nil (2021-\$533,747) and was determined using the Black Scholes option valuation model and \$76,367 (2021-\$35,120) was recognized as share-based payments expense in relation to the vesting of options for the three months ended March 31, 2022.

**Restricted Share Units (“RSUs”)**

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.

**KARUS GOLD CORP.****Notes to the Condensed Interim Financial Statements****March 31, 2022***(Unaudited)**(Expressed in Canadian dollars)*

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As at March 31, 2022 and December 31, 2021 the following RSUs were outstanding and exercisable:

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<b>Grant date</b>	<b>Number of RSUs outstanding</b>	<b>Number of RSUs exercisable</b>
March 8, 2021	2,605,000	1,302,500
	<b>2,605,000</b>	<b>1,302,500</b>

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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 calculated the fair market value of these RSUs on the grant date, being \$651,250 and amortizes it over the vesting period of each tranche. For the three months ended March 31, 2022, \$99,917 (2021- \$30,779) was recognized as part of share-based payments expense.

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

The Company shares office space and personnel with KORE and as a result, any related cost incurred is also shared. During the three months ended March 31, 2022, such administrative transactions with KORE amounted to \$23,941 (2021 – 61,536). As at March 31, 2022, total amount payable to KORE included within accounts payable was \$165,253 (December 31, 2021 - \$141,312).

**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 three months ended March 31, 2022, total key management compensation was \$212,616 (2021-\$107,763), which includes management fees and salaries of \$85,250 (2021-\$58,081) and share-based payments of \$127,366 (2021- \$49,682).

Amounts owing to key related parties are unsecured, non-interest bearing and due on demand. As at March 31, 2022, \$119,107 (December 31, 2021 - \$127,250) is due to key management personnel.

During the three months ended March 31, 2022, the Company settled \$52,500 for previous management fees through issuance of units. The common shares issued as part of these units also include the Price Protection Right (Note 4).

**KARUS GOLD CORP.**

**Notes to the Condensed Interim Financial Statements**

**March 31, 2022**

*(Unaudited)*

*(Expressed in Canadian dollars)*

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**6. 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 March 31, 2022, the Company's working capital was \$1,400,778 with no 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 March 31, 2022, the Company had cash of \$2,232,701 to settle current liabilities of \$916,333. The Company's financial liabilities as at March 31, 2022 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.

**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.