



KARUS GOLD CORP.

Condensed Interim Financial Statements

March 31, 2023

(Unaudited – Prepared by Management)

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**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

KARUS GOLD CORP.**Condensed Interim Statement of Financial Position***(Unaudited – Prepared by Management)**(Expressed in Canadian dollars)*

As at	Note	March 31, 2023	December 31, 2022
		\$	\$
Assets			
Current assets			
Cash		482,791	615,109
Amounts receivable		5,114	9,619
Advances and prepaid expenses		6,899	17,120
		494,804	641,848
Non-current assets			
Deferred acquisition costs	3	131,036	95,813
Deposits		121,288	121,288
Equipment		7,755	9,132
Mineral properties	4	10,982,743	10,982,743
Total assets		11,737,626	11,850,824
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	430,570	412,259
Total liabilities		430,570	412,259
Shareholders' equity			
Share capital	5	17,498,247	17,498,247
Share-based reserves	5	2,048,544	2,002,020
Deficit		(8,239,735)	(8,061,702)
Total shareholders' equity		11,307,056	11,438,565
Total liabilities and shareholders' equity		11,737,626	11,850,824

Nature of operations & going concern 1

Approved by the Board of Directors:

“David Whittle”
Director

“Scott Trebilcock”
Director

KARUS GOLD CORP.**Condensed Interim Statement of Loss and Comprehensive Loss***(Unaudited – Prepared by Management)**(Expressed in Canadian dollars, except for the number of shares)*

	Note	For the three months ended March 31, 2023	For the three months ended March 31, 2022
		\$	\$
Expenses			
Depreciation		1,378	1,799
Exploration and evaluation expenses	4	25,455	298,628
General and administration		33,626	62,253
Management fees and wages	6	39,000	97,237
Marketing, advisory and investor relations		4,430	40,234
Professional fees		27,621	83,556
Share-based payments	5	46,524	176,284
Net loss and comprehensive loss for the period		(178,033)	(759,991)
Basic and fully diluted loss per common share		(0.00)	(0.01)
Weighted average number of common shares outstanding - basic and diluted		90,910,108	84,881,897

KARUS GOLD CORP.**Condensed Interim Statement of Cash Flows***(Unaudited – Prepared by Management)**(Expressed in Canadian dollars)*

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(178,033)	(759,991)
Items not involving cash:		
Depreciation	1,378	1,799
Share-based payments	46,524	176,284
Changes in non-cash working capital items:		
Amounts receivable	4,505	7,445
Prepaid expenses and advances	10,221	(1,009)
Accounts payable and accrued liabilities	18,310	183,438
Deferred acquisition costs	(35,223)	-
Cash used in operating activities	(132,318)	(392,034)
INVESTING ACTIVITIES		
Mineral property interests	-	(8,226)
Cash used in investing activities	-	(8,226)
FINANCING ACTIVITIES		
Shares and warrants issued for cash	-	2,000,000
Cash provided by financing activities	-	2,000,000
Change in cash	(132,318)	1,599,740
Cash at beginning of the period	615,109	632,961
Cash at end of the period	482,791	2,232,701
Supplemental cash flow information:		
Interest received in cash	-	22.00
Non-cash investing and financing activities:		
Units issued for debt	-	52,500

KARUS GOLD CORP.**Condensed Interim Statement of Changes in Shareholders' Equity***(Unaudited – Prepared by Management)**(Expressed in Canadian dollars, except for the number of shares)*

	<u>Common Shares</u>		Shares to be	Share-based	Deficit	Total Equity
	Number	Amount	Issued	reserves		
		\$	\$	\$	\$	\$
December 31, 2021	84,799,313	16,191,819	-	927,707	(6,141,766)	10,977,760
Units issued for debt	95,454	43,356	-	9,144	-	52,500
Shares issued for private placements	5,714,286	1,263,072	-	736,928	-	2,000,000
Shares to be issued pursuant to price protection provision	-	(105,371)	105,371	-	-	-
Share-based payments	-	-	-	176,284	-	176,284
Net loss for the period	-	-	-	-	(759,991)	(759,991)
March 31, 2022	90,609,053	17,392,876	105,371	1,850,063	(6,901,757)	12,446,553
December 31, 2022	90,910,108	17,498,247	-	2,002,020	(8,061,702)	11,438,565
Share-based payments	-	-	-	46,524	-	46,524
Net loss for the period	-	-	-	-	(178,033)	(178,033)
March 31, 2023	90,910,108	17,498,247	-	2,048,544	(8,239,735)	11,307,056

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****March 31, 2023***(Unaudited – Prepared by Management)**(Expressed in Canadian dollars unless otherwise stated)*

1. NATURE OF OPERATIONS AND GOING CONCERN

Karus Gold Corp. (“Karus” or 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 common share of the Company for every two KORE shares held. The Company’s registered office is located at Suite 2500, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3.

These condensed interim 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, 2023, the Company had an accumulated deficit of \$8,239,735. For the three months ended March 31, 2023, the Company had no revenues, had a net loss of \$178,033, and used cash flows in operations of \$132,318.

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. The Company also continues to work towards its listing on a public stock exchange (see Note 3, Proposed Acquisition). 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 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) 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, 2022, 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 financial statements have been authorized for issue by the Board of Directors of the Company on May 25, 2023.

KARUS GOLD CORP.

Notes to the Condensed Interim Financial Statements

March 31, 2023

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars unless otherwise stated)

Basis of Measurement

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

Significant Accounting Estimates and Judgments

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, 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 financial statements for the year ended December 31, 2022.

3. PROPOSED ACQUISITION

In December 2022, the Company entered into a definitive binding agreement with Kenadyr Metals Corp. ("Kenadyr") pursuant to which Kenadyr will acquire 100% of the issued and outstanding common shares of Karus in exchange for the common shares of Kenadyr (the "Proposed Transaction").

Pursuant to the Proposed Transaction, the holders of the common shares of Karus will receive common shares of Kenadyr ("Kenadyr Common Shares"), equal to an aggregate of approximately 39,091,346 Kenadyr Common Shares post consolidation.

As a condition of the Proposed Transaction, Kenadyr will complete a private placement for gross proceeds of a minimum of \$2,000,000 at an effective price of \$0.50 per Kenadyr Common Share post consolidation (the "Concurrent Financing"). In addition, Kenadyr intends to complete a private placement of flow-through common shares for total gross proceeds of a maximum of \$5,000,000, combined with the Concurrent Financing.

Prior to closing of the Proposed Transaction, Kenadyr will complete a consolidation of Kenadyr Common Shares on the basis of one post consolidated Kenadyr Common Share for every ten pre-consolidated Kenadyr Common Share.

The Agreement includes customary termination rights for both Kenadyr and Karus in the event that the Proposed Transaction is not completed by March 31, 2023. Notwithstanding that such date has passed, the Agreement remains in force and the parties are continuing to work together to complete the Proposed Transaction. The Proposed Transaction will be subject to customary closing conditions including Karus shareholders, court, and TSX Venture Exchange approvals.

During the three months ended March 31, 2023, the Company recognized deferred transaction costs, consisting of professional fees, related to the Proposed Transaction in the amount of \$35,223 (for the three months ended March 31, 2022 - \$Nil, for the year ended December 31, 2022 - \$95,813).

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****March 31, 2023***(Unaudited – Prepared by Management)**(Expressed in Canadian dollars unless otherwise stated)***4. 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.

Options in the South Cariboo Gold Project

As part of the 1,056 square kilometers land holdings in the South Cariboo Gold project, the Company is subject to certain mineral property agreements, including certain option agreements to acquire nearby and contiguous properties. These mineral property agreements are not part of the FG Gold or Gold Creek projects and are greenfield gold exploration.

The option agreements collectively have annual payments ranging from \$45,000 payable in 2021 up to \$150,000 in 2025, for total option payments of \$610,000 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 met all requirements of its option agreements for 2021 by making a payment of \$20,000 and issuing 90,909 common shares at a fair value of \$50,000.

During the year ended December 31, 2022, the Company made payments of \$72,500 pursuant to option agreements. The additional cash payment of \$50,000 and the \$50,000 in shares, originally due before October 1, 2022, on one option agreement, has been deferred to later in 2023. As at March 31, 2023, the Company had capitalized, through a combination of cash payments and issuance of common shares, \$60,000 for this option agreement. The Company continues to evaluate the merits of the claim block to determine a course of action with the vendor.

As at March 31, 2023, if the Company were to exercise its option pursuant to these agreements, it would be required to make future cash payments of \$465,000 and issue common shares with fair market value of \$385,000 until 2025, as follows:

	2023	2024	2025	Total
Cash payments	165,000	150,000	150,000	465,000
Shares	125,000	100,000	160,000	385,000

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****March 31, 2023***(Unaudited – Prepared by Management)**(Expressed in Canadian dollars unless otherwise stated)***Exploration and evaluation expenses**

Details of the exploration and evaluation expenses incurred were as follows:

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
	\$	\$
Assay and sampling	5,698	124,676
Project general and administrative	9,662	31,990
Project staff and contractors	10,095	141,962
	25,455	298,628

The Company is eligible for British Columbia Mining Exploration Tax Credit (“BCMETS”) on qualifying exploration expenditures of up to 30%. As at March 31, 2023, the Company’s claim for the BCMETS for exploration expenditures incurred during the year ended December 31, 2021, is under review by the Canada Revenue Agency. If approved, the Company expects to receive BCMETS of approximately \$950,000 during summer/fall of 2023.

5. SHARE CAPITAL**Authorized**

Unlimited number of common shares with no par value.

Issued and Outstanding

As at March 31, 2023, there were 90,910,108 (December 31, 2022 – 90,910,108) common shares outstanding.

Warrants

As at March 31, 2023, and December 31, 2022, the following warrants were outstanding:

Expiry date	Number of warrants outstanding	Exercise price \$
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
	1,417,583	\$ 0.85

Stock Options

Pursuant to a rolling stock option plan (the “Option Plan”) for directors, officers, employees, and consultants, 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.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****March 31, 2023***(Unaudited – Prepared by Management)**(Expressed in Canadian dollars unless otherwise stated)*

As at March 31, 2023, and December 31, 2022, the following incentive stock options, were outstanding and exercisable:

	Number of options outstanding	Weighted average exercise price \$
Balance, December 31, 2022	2,950,000	\$ 0.25
Balance, March 31, 2023	2,950,000	\$ 0.25

During 2022, the Company received \$2,000,000 from a strategic investment by Yamana Gold Inc. (“Yamana”) in exchange for 5,714,286 common shares of the Company and an option for Yamana to invest a further \$3,000,000 at a price of \$0.50 per share, exercisable at any time until March 25, 2025 (“Yamana Option”). As at March 31, 2023, Yamana Option was also outstanding and exercisable.

Restricted Share Units (“RSUs”)

Pursuant to the fixed Omnibus Plan (“Omnibus Plan”), the Company may reserve 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.

As at March 31, 2023, and December 31, 2022, 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
	2,605,000	2,605,000

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.

Share-based Compensation

During the three months ended March 31, 2023, the Company did not grant any stock options or RSUs, however recognized \$46,524 (2022 - \$176,284) as share-based payments expense in relation to the vesting of the previously granted stock options and RSUs, due to the graded vesting of these instruments.

6. 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. For the three months ended March 31, 2023, such administrative transactions with KORE amounted to \$15,574 (2022 – \$23,941). As at March 31, 2023, the amount owing to KORE was \$216,529 (As at December 31, 2022 - \$200,955), which is recorded in accounts payable and accrued liabilities. A total of \$150,000 of this amount was paid to KORE during April 2023.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****March 31, 2023***(Unaudited – Prepared by Management)**(Expressed in Canadian dollars unless otherwise stated)*

During 2022 the Company entered into a consulting agreement with the Chief Financial Officer ("CFO") of the Company for a monthly fee of \$8,500 through Avisar Everyday Solutions Ltd. ("Avisar"), a company where the CFO is a director and an officer, to provide accounting related services to the Company. For the three months ended March 31, 2023, the Company incurred \$25,500 (2022 - \$Nil) in professional fees to Avisar. As at March 31, 2023, the total amount owing to Avisar was \$9,240 (As at December 31, 2022 - \$Nil), which is recorded in accounts payable and accrued liabilities, is unsecured and due on demand.

Key Management Compensation

Key management are those personnel having the authority and responsibility for planning, directing, and controlling the Company and include the Chief Executive Officer and Vice-President Exploration, Chief Financial Officer, and Directors.

	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Management fees and salaries	\$ 39,000	\$ 85,250
Share-based compensation	25,970	127,366
Total	\$ 64,970	\$ 212,616

As at March 31, 2023, and December 31, 2022, a total of \$8,750 was payable to a director of the Company for previous services. The amount owing is unsecured, non-interest bearing and due on demand.

During the three months ended March 31, 2022, the Company settled \$52,500 for previous management fees through the issuance of units.

7. 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, 2023, the Company had working capital of \$64,234 but 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. 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. The Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

KARUS GOLD CORP.

Notes to the Condensed Interim Financial Statements

March 31, 2023

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars unless otherwise stated)

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 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

As at March 31, 2023, the Company has certain monetary items denominated in United States dollars. Based on these net exposures, a 10% appreciation or depreciation of the Canadian dollar against the United States dollar would result in an increase or decrease of \$756 in the Company's net loss.

Fair Values

The carrying values of cash, deposits, and accounts payable and accrued liabilities approximate fair values due to their short-term to maturity nature.