



**KARUS GOLD CORP.**

**Management's Discussion and Analysis**

**For the Nine Months Ended September 30, 2021**

**KARUS GOLD CORP.**  
**Interim Management's Discussion and Analysis**  
**September 30, 2021**  
*(Expressed in Canadian dollars unless otherwise stated)*

---

*The following Management's Discussion and Analysis ("MD&A"), prepared as of November 29, 2021, should be read together with the unaudited interim financial statements of Karus Gold Corp. ("Karus Gold" or the "Company") for the nine month period ended September 30, 2021 prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting and audited financial statements for the period from incorporation on November 30, 2020 to December 31, 2020, and related notes thereto, which are prepared in accordance with IFRS. All amounts are stated in Canadian dollars unless otherwise indicated.*

*This MD&A contains "forward-looking statements" and "forward-looking information" within the meaning of applicable Canadian securities laws. See the section in this MD&A titled "Cautionary Language regarding Forward-Looking Information" for further details.*

**Corporate Summary - Nature of Operations**

Karus Gold, recently spun out of KORE Mining Ltd., controls 1,000 square kilometers of claims in its South Cariboo Gold property of British Columbia. The claims host 110 km of structural trend that is highly prospective for gold deposits. Karus Gold has multiple projects in the South Cariboo Gold property, including the FG Gold and Gold Creek gold projects. Much of the area is under-explored and wide open for additional discoveries. The Cariboo region is a prolific gold region and is accessible with local power, a well-developed road network and skilled local labour. The Company is supported by insiders and management owning 32% and by strategic investor, Eric Sprott, who owns 27% of Karus Gold as at September 30, 2021. Karus Gold's two key exploration stage projects included in its South Cariboo holdings are:

- 1) FG Gold – Cariboo Region British Columbia – a sediment hosted orogenic gold system with gold mineralization identified for over 3.5 km along strike to an average depth of less than 100 metres below surface. Karus Gold is drilling to better define structural controls of higher-grade gold mineralization and to expand the footprint of gold mineralization along both strike and at depth below historical areas of drilling.
- 2) Gold Creek – Cariboo Region British Columbia – early-stage orogenic gold discovery on a large contiguous claim block near the Spanish Mountain gold project and the Mount Polley copper-gold mine. Karus Gold plans to follow-up the discovery with further exploration.

The Company's head office is located at 960 – 1055 West Hastings Street, Vancouver, BC V6E 2E9.

**2021 Highlights**

During the year-to-date period ended September 30, 2021, the Company accomplished the following:

- In September 2021, the Company completed a non-brokered private placement of 1,529,929 units at a price of C\$0.55 per unit ("Unit") and 778,391 flow through units at C\$0.73 per flow through unit ("FT Unit") for aggregate gross proceeds of C\$1,409,686. Each Unit consisted of one common share and one half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder thereof to purchase one common share of the Company at a price of \$0.85 for a period of 24 months. Each FT Unit will consist of one common share of the Company that qualifies as a "flow through" common share and one half of one Warrant.
- Subsequently, completed a summer 2021 drill program of 19 diamond drill holes for a total of 7,142 meters at FG Gold and Gold Creek
- Successful FG Gold summer 2021 drill program successfully confirmed the orientation of vein corridors hosting high-grade gold mineralization and demonstrated continuity of gold mineralization within vein corridors and opened the potential for stacked vein corridors with several zones; assays pending
- Summer 2021 Gold Creek program completed x holes; assays pending

**2021 Outlook**

The Company's focus for 2021 is investing in significant exploration of its South Cariboo Gold property including drilling at both FG Gold and Gold Creek in the summer of 2021. In addition to the exploration at these projects, the Company may evaluate other prospects worthy of exploration and development. The ability of the Company to do so is contingent upon its ongoing ability to raise the capital necessary to advance such prospects.

## **KARUS GOLD CORP.**

### **Interim Management's Discussion and Analysis**

**September 30, 2021**

*(Expressed in Canadian dollars unless otherwise stated)*

---

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's future business or ability to raise funds, however there has been no significant impact on the Company to date.

***Andrew Kaip, P.Geo., is the Company's designated Qualified Person for this MD&A within the meaning of National Instrument 43-101 and has reviewed and approved the technical information described herein.***

#### ***Project Summaries***

##### **FG Gold Project, British Columbia, Canada**

###### ***Project Overview***

The 100% owned FG Gold property ("FG Project") contains a sediment hosted orogenic gold and early stage gold-copper porphyry projects located in the Cariboo region of British Columbia, approximately 100 km east of Williams Lake. The FG Project is located at the headwaters of the Horsefly River, 50 kms east of Horsefly, B.C. and consists of 35 contiguous claims (13,008 ha). As of the date of this MD&A, the FG Project is part of the district scale claim block 100% owned by Karus Gold, the South Cariboo Gold property.

The FG Project is at low elevation and accessible by forestry roads. The FG Project contains a sediment hosted orogenic gold prospect on the northeast limb of the Eureka syncline. The syncline is >20km with the prospective horizon being defined by geologic mapping, gold in soils and geophysics with the southwest limb and hinge zone being largely underexplored. The Project has only been shallowly drilled where gold mineralization is proximal to surface. Past drilling averages only 93m deep into a moderately dipping sedimentary host rock. Mineralization is open at depth and along almost the entire syncline.

Historical drilling targeted stratigraphic controls of gold mineralization and only tested a very small portion of the prospective host rock. Drilling was largely done by a combination of reverse circulation ("RC") and diamond drilling using generally small diameter core. The previous work largely focused on discovering and developing a low-grade, bulk-disseminated gold potential. Recent drilling suggests that mineralized corridors or chutes of higher grade gold persist into largely untested portions of the host stratigraphy.

The FG Project also hosts copper-gold porphyry-style mineralization at the Nova Zone, discovered by KORE in 2018.

As part of the FG Project 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 of \$87,500 payable in 2021 up to \$150,000 in 2025, for total 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. 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.

Subsequent to September 30, 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.

###### **2020 Drill Program**

**KARUS GOLD CORP.**  
**Interim Management's Discussion and Analysis**  
**September 30, 2021**  
*(Expressed in Canadian dollars unless otherwise stated)*

---

An initial drill program in early 2020 undertaken by KORE was designed to define and delineate structural controls on existing higher-grade gold mineralization and target new discoveries at depth and on-strike. Eight (8) core drill holes for a total of 1,583 metres were completed. Assays for all eight holes were disclosed in three news releases with the following highlights:

- Lower Zone discovered below known mineralization
  - 10 metres of 3.9 g/t gold starting at 237 metres in FG-20-369 including:
    - 1.0 metre of 33.9 g/t at 239.0 metres
  - 10 metres of 0.8 g/t at 185 metres in same zone in FG-20-368
  - 52.5 metres of 1.1 g/t gold at 122.5 metres in FG-20-375
    - FG-20-375 terminated in mineralization at 2.6 g/t gold and remains open at depth
  - New Lower Zone thickness remains open
- Upper Zone (current mineralization) upgrading and structural drilling highlights:
  - 76.5 metres of 1.1 g/t gold starting at 5.5 metres in FG-20-368
  - 32.0 metres of 3.0 g/t gold starting at 22.0 metres in FG-20-369
  - 51.0 metres of 1.6 g/t gold at 19.0 metres downhole in FG-20-370
  - 98.0 metres of 1.0 g/t gold at 24.0 metres downhole in FG-20-372
  - 11.0 metres of 10.0 g/t gold at 44.0 metres downhole in FG-20-373
- Large diameter, oriented core and metallic screen assays show improved grade consistency relative to past drilling.
- Silver assays, rarely assayed for historically, as high as 116 g/t over 1 metre in metallic screens indicate some silver potential

KORE subsequently completed a second phase of drilling in 2020, totaling 5,829 metres in 15 holes. Hole FG-20-377 generated a major 215 metre step-out down-dip from the Lower Zone discovery hole FG-20-369 and an extension to the Upper Zone mineralization. Results included the following highlights:

- 31.3 metres of 3.2 g/t gold at 369 metres downhole including:
- 14.3 metres of 6.4 g/t gold at 386 metres downhole including:
- 1.0 metres of 61.2 g/t gold at 387 metres downhole
- 5.8 metres of 4.2 g/t gold at 394 metres downhole

On April 22, 2021, Karus Gold released additional drill assay results from the KORE 2020 program which are tabulated below. Highlights include:

- FG-20-376, 100 m from the discovery hole FG-20-377 (14.3m of 6.4 g/t gold) returned 20.9m of 2.9 g/t gold, confirming the continuity of gold mineralization within the Lower Zone discovery and includes:
  - 12.4 m of 4.3 g/t gold at 239.4 m downhole, including
  - 1.0 m of 38.0 g/t gold at 240.3 m downhole
- FG-20-378 returning 62.3m of 1.7 g/t gold confirms higher grades than those previously reported in FG-20-368 including
  - 6.6 m of 9.7g/t gold at 195.9 m.

Results from holes FG-20-376, and holes FG-20-378 to FG-20-381 suggest the Lower Zone now hosts a mineralized footprint of approximately 650 m of strike and over 300 m down dip of historical drilling, while the remaining holes to be released over a 1.8 km strike could substantially increase this mineralized footprint of the FG Gold project. Mineralization remains open at depth and along almost the entire 20-kilometre trend representing a district scale exploration opportunity for further discovery.

The FG Project also contains prospective gold-copper porphyry targets within an intrusion called the Nova Zone. The Nova Zone, potentially 3.5 km by 1 km, was discovered in 2018 through compilation of historical soil geochemistry, and airborne geophysical studies. 2018 drilling demonstrated semi-massive and massive copper and iron sulphides and intersected (hole DDH-18-002) over 32 meters of 0.52% copper equivalent, including 8.65 meters of 1.1% copper

**KARUS GOLD CORP.****Interim Management's Discussion and Analysis****September 30, 2021***(Expressed in Canadian dollars unless otherwise stated)*

equivalent.<sup>1</sup> Gold grades as high as 5.70 g/t, copper grades as high as 1.01%, and silver grades as high as 4.98 g/t were encountered in drill core.

**Table of drill results**

<b>Drill Hole</b>	<b>Zone</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Length<sup>1,2</sup> (m)</b>	<b>Gold Grade<sup>3</sup> (g/t)</b>
<b>FG-20-376</b>	Lower	239.4	287.3	47.9	1.6
incl.		239.4	260.3	20.9	2.9
incl.		239.4	251.8	12.4	4.3
<b>FG-20-378</b>	Upper	174.1	177.0	2.9	7.7
and	Upper	195.9	258.3	62.3	1.7
incl.		195.9	202.5	6.6	9.7
incl.		214.0	224.6	10.6	1.8
		236.4	250.3	13.9	1.0
<b>FG-20-379</b>	Upper	286.0	297.5	11.5	2.4
and	Lower	430.1	480.5	50.5	0.8
Inc.		432.0	449.0	17.0	1.7
Inc.		445.0	448.0	3.0	5.8
<b>FG-20-380</b>	Lower	346.7	396.5	49.9	1.1
Inc.		349.5	378.5	29.0	1.5
Inc.		363.0	378.5	15.5	1.9
<b>FG-20-381</b>	Upper	272.5	287.1	14.6	0.6
	Lower	333.0	357.0	24.0	1.1
Inc.		344.0	351.0	7.0	3.1

1. Karus Gold has not been able to determine true width yet due to complexity of the vein structures within the mineralized zones. The 2020 drill program was designed to better understand the geometry and how the mineralized zones are related. The orientation of individual quartz veins within the mineralized zones are quite variable. Reported widths are drill indicated core length and not true width, for the reasons above. Average grades are calculated with un-capped gold assays, as insufficient drilling has been completed to determine capping levels for higher grade gold intercepts.
2. Drilling data on the Lower Zone is currently limited and the true thickness and orientation of the zone is not firmly known. However, based on current data, it is estimated that intercept represents ~50%-65% of the true thickness of the zone.
3. Composites are calculated using a 0.3 g/t Au cutoff, incorporating no more than 7m downhole dilution. Higher grade composite sections are calculated using a 1 g/t and 3g/t cutoff incorporating no more than 5 m downhole dilution. Where screen metallic data is present, it is used preferentially for composites over Fire Assay data as it is more representative of the true sample value due to the increased sample volume processed and the multiple gold size fractions analyzed.

**Gold Creek Project, British Columbia, Canada**

The 100% owned Gold Creek project ("Gold Creek") is located 2 km NE of the town of Likely in the Cariboo - the heart of British Columbia's historic "Gold Rush" district. Gold Creek consists of 34 claims totaling 9,673 ha and approximately 8 km to the NW of the Spanish Mountain deposit. Access is from Likely by an all-weather gravel road. The site has well developed infrastructure and is just 70km NE of Williams Lake, a major regional centre serviced by an airport and railway.

There is a 1% net smelter royalty on the property to a prior owner. The Company may purchase one-half of the royalty for \$1,000,000.

<sup>1</sup> Cu equivalent calculated using metals prices at April 29, 2019: USD\$1,278/oz Au, US\$14.77/oz Ag, US\$2.90/lb Cu.

**KARUS GOLD CORP.****Interim Management's Discussion and Analysis****September 30, 2021***(Expressed in Canadian dollars unless otherwise stated)*

Compilation of historical drilling, soil sampling, and geophysics were completed by KORE in 2018. The Company determined that gold mineralization is closely correlated with elevated arsenic and contained within a greywacke rock unit. Higher-grade gold intercepts in drill holes within the projects "Camp Zone" show similarities to the high-grade zone of the nearby Spanish Mountain Gold Deposit (TSX Venture: SPA) whose highest grades occur at the contact between the greywacke and argillites, similar to mineralization at Gold Creek.

Karus does not consider the geology, resources or potential economics of the Spanish Mountain deposit as indicative of mineralization or the economics of any such mineralization at Gold Creek.

Historical drilling at the Camp Zone, based on gold in soils anomalies, from 2011 and 2017 confirmed large widths of mineralization in the silicified greywacke from surface with multiple higher-grade vein intercepts within a lower-grade halo. Intercepts included 1.5m of 13.4 g/t (GC11-27 10.7m to 12.2m), 9m of 5.5g/t (GC17-34 16.0m to 25.0m), including 1.5m of 18.0g/t, and 84.65m of 1.0g/t (GC17-35 85.85m to 170.50m).

On May 6, 2021, Karus Gold released additional drill assay results from the KORE 2020 program which are tabulated below. In total, KORE Mining drilled five holes totaling 1,530 m. Drill holes GC-20-42 to 44 tested 400 m of strike potential south east of previous drilling. All three holes intersected anomalous gold mineralization, including:

- 11.8 m of 0.63 g/t gold beginning at 153 m down hole in GC-20-42
- 24.9 m of 0.44 g/t gold beginning at 151.7 m down hole in GC-20-43

Drill holes GC-20-40 and 41 were drilled outside of the Camp Creek trend and intersected anomalous silver-base metal mineralization.

**Exploration & Evaluation Expenses**

Following is a summary of exploration and evaluation expenses for the South Cariboo Project for the nine months ended September 30, 2021:

	<b>For the nine months ended September 30, 2021</b>	
Assays and analysis	\$	336,689
Claim, staking, holding and taxes		16,831
Community engagement		40,171
Drill program		2,459,093
Engineering and development		63,462
Geophysics and ground prospecting		104,468
Project general & admin		366,222
Project staff & contractors		417,003
Travel, logistics & camp costs		189,597
Other recovery		(50,000)
	\$	<b>3,943,536</b>

**Results of Operations**

For the three and nine months ended September 30, 2021

**KARUS GOLD CORP.****Interim Management's Discussion and Analysis****September 30, 2021***(Expressed in Canadian dollars unless otherwise stated)*

---

During the three and nine months ended September 30, 2021, the Company's net loss was \$3,473,301 and \$5,325,922; there are no comparatives as the Company's operations effectively started on completion of its spinout from KORE Mining Ltd on January 25, 2021. The significant components of the Company's loss include exploration and evaluation costs increase of \$3,064,657 to \$3,943,536, professional fees increase of \$22,325 to \$134,152 incurred in connection with the Company's commencement of operations and preparation for TSXV listing, marketing, advisory and non-cash costs increase by \$224,153 to \$518,556 for share-based payments in connection with options and RSUs vesting in the period. All the increases in costs were a result of the Company's continued ramp up in operations as well as seasonality of exploration.

The Company commenced operations in the current quarter as a result of the completion of the spinout from KORE Mining Ltd. Accordingly, there is no historical quarterly or annual information to present.

***KORE Spinout***

The Company entered into an Arrangement Agreement dated December 16, 2020 ("Arrangement Agreement") with KORE whereby KORE, pursuant to a Plan of Arrangement, agreed to spin-out the Company, which was a wholly owned subsidiary as of December 31, 2020. KORE re-organized such that all of its Canadian mineral property interests ("Spin-off Exploration Assets") were transferred to the Company and, upon receipt of KORE shareholder approval in January 2021, distributed 53,112,455 shares of the Company to the shareholders of KORE as a return of capital by way of a plan of arrangement. The Company also issued 1,750,000 warrants to KORE warrant holders with an exercise price of \$0.75 until July 2022. In connection with the spinout, the Company issued a 1% NSR to KORE and received a \$500,000 loan (bearing interest at 8%), which it fully repaid with proceeds from the rights offering. See Note 4 of the condensed interim financial statements for the nine months ended September 30, 2021 for more information.

In connection with the spinout and KORE shareholder approval, the Company adopted a rolling stock option plan ("Option Plan") for directors, officers, employees and consultants where 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 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. The Company also adopted an 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 plan may be granted in a form as designated by the Board, including restricted share units, deferred share units and other performance based instruments.

**Liquidity, Capital Resources and Going Concern**

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The properties in which the Company currently has an interest are in the exploration stage and have no revenue-producing operations. Accordingly, the Company is dependent on external financing, including the proceeds of future equity issuances or debt financing, to fund its activities. However, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue operations. The Company will seek such 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.

As at September 30, 2021, the Company had a cash balance of \$789,391 and working capital of \$325,380 with current liabilities of \$671,244. The Company has incurred losses since inception and does not generate any cash inflows from operations. For the nine months ended September 30, 2021, the Company used cash flows in operations of \$4,580,265. 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

**KARUS GOLD CORP.**  
**Interim Management's Discussion and Analysis**  
**September 30, 2021**  
*(Expressed in Canadian dollars unless otherwise stated)*

---

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 casts 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.

**Cash Used In Operating Activities**

Net cash used in operating activities during the nine months ended September 30, 2021 was \$4,580,265. Cash used in operating activities primarily related to operations during the period, including exploration and evaluation expenses, professional fees, management fees and marketing costs, as well as incurring liabilities in connection with these operations.

**Cash Provided by Financing Activities**

Net cash provided by financing activities during the nine months ended September 30, 2021 was \$5,786,602. Cash provided by financing activities primarily related to the Company's rights offering and two private placements for gross proceeds of \$5,968,120 offset by costs incurred to complete these activities.

**Cash Used in Investing Activities**

Net cash used in investing activities during the nine months ended September 30, 2021 was \$416,947, which consists of the transaction costs incurred in the Spinout which were ultimately allocated to the exploration and evaluation assets acquired for \$407,242 and acquisition of equipment of \$9,705.

**Outstanding Share Data**

The Company's authorized share capital consists of an unlimited number of common shares without par value. At September 30, 2021, there were 84,277,004 shares issued and outstanding.

As of the date of this MD&A, the following shares, warrants and options were outstanding:

	<b>Number of Equity instruments</b>	<b>Exercise price</b>	<b>Expiry date</b>
<b>Issued &amp; outstanding shares</b>	<b>84,367,913</b>		
Warrants	1,500,000	\$0.75	July 22, 2022
Warrants	250,000	\$0.75	July 27, 2022
Warrants	389,194	\$0.85	September 2, 2023
Warrants	764,960	\$0.85	September 10, 2023
Stock Options	4,320,000	\$0.25	March 7, 2026
Restricted Share Units	2,605,000	-	-
<b>Fully Diluted as at November 29, 2021</b>	<b>94,197,069</b>		

**Financial Instruments and 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.



**KARUS GOLD CORP.**  
**Interim Management's Discussion and Analysis**  
**September 30, 2021**  
*(Expressed in Canadian dollars unless otherwise stated)*

---

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 September 30, 2021, the Company had working capital of \$325,380 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. 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 September 30, 2021, the Company had cash of \$789,391 to settle current liabilities of \$671,244. The Company's financial liabilities as at September 30, 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.

**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.

**Related Party Transactions and Balances**

During the nine months ended September 30, 2021, the related party transactions, were as follows:

- a) Reimbursement of costs of \$67,322 to KORE, which was included in accounts payable as at September 30, 2021.
- b) Amounts owing to all related parties are unsecured, non-interest bearing and due on demand. As at September 30, 2021, \$186,962 is due to related parties, inclusive 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 nine months ended September 30, 2021, total key management compensation was \$437,896, which includes management fees and salaries of \$268,581 and share-based payments of \$169,315.

**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 continually 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, 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.**

### **Interim Management's Discussion and Analysis**

**September 30, 2021**

*(Expressed in Canadian dollars unless otherwise stated)*

---

#### ***Critical Judgments***

The Company is also 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, that 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 required management to make judgments regarding the treatment of the Spinout. Specifically, management made judgments 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 and consideration issued involved significant estimation and judgement 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.

#### **Recent Accounting Standards**

There are no recent accounting pronouncements or standards expected to have a material impact on the Company.

#### **Cautionary Note Regarding Forward Looking Statements**

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Certain statements contained in this MD&A constitute forward-looking statements. The use of any words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions or their negatives or other comparable words are intended to identify forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Examples of where the Company uses forward looking statements include when discussing the outlook, plans and timing for the Company's exploration plans, operational plans and future expenditure expectations.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of the date of this MD&A.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason except as required by law.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risk Factors".

#### **Risk Factors**

**KARUS GOLD CORP.**

**Interim Management's Discussion and Analysis**

**September 30, 2021**

*(Expressed in Canadian dollars unless otherwise stated)*

---

See the risk factors disclosed in the Company's annual Management's Discussion & Analysis for the period from incorporation on November 20, 2020 to December 31, 2020 and filed on April 29, 2021 under the Company's profile on [www.sedar.com](http://www.sedar.com) for a detailed discussion of the Company's risk factors.

**Other Information**

Additional information related to the Company is available for viewing on the Company's website at [www.karusgold.com](http://www.karusgold.com).