



KARUS GOLD CORP.

Financial Statements

December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Karus Gold Corp.

Opinion

We have audited the financial statements of Karus Gold Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2022, and the statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company had no revenues, had negative cash flows from operations, and incurred a net loss of \$1,919,936 during the year ended December 31, 2022 and, as of that date, the Company had an accumulated deficit of \$8,061,702. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

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, 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, 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 International Financial Reporting Standards, 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter of when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Henry Chow.

Other Matter

The financial statements of the Company for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 26, 2022.

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

April 24, 2023

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

As at	Note	December 31, 2022	December 31, 2021
		\$	\$
Assets			
Current assets			
Cash		615,109	632,961
Amounts receivable		9,619	25,975
Advances and prepaid expenses		17,120	64,872
		641,848	723,808
Non-current assets			
Deferred acquisition costs	4	95,813	-
Deposits		121,288	121,000
Equipment	6	9,132	16,330
Mineral properties	7	10,982,743	10,902,017
Total assets		11,850,824	11,763,155
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	412,259	785,395
Total liabilities		412,259	785,395
Shareholders' equity			
Share capital	9	17,498,247	16,191,819
Share-based reserves	9	2,002,020	927,707
Deficit		(8,061,702)	(6,141,766)
Total shareholders' equity		11,438,565	10,977,760
Total liabilities and shareholders' equity		11,850,824	11,763,155
Nature of operations & going concern	1		
Commitments	7		

Approved by the Board of Directors:

“David Whittle”

 Director

“Scott Trebilcock”

 Director

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

	Note	Year ended December 31, 2022 \$	Year ended December 31, 2021 \$
Expenses			
Depreciation		7,198	5,300
Exploration and evaluation expenses	7	657,250	4,326,937
General and administration		197,773	221,884
Management fees and wages	10	243,295	418,748
Marketing, advisory and investor relations		82,726	315,729
Professional fees		403,453	256,172
Share-based payments	9	328,241	737,106
Net loss before other income		(1,919,936)	(6,281,876)
Other income			
Flow through income	8	-	140,110
Net loss and comprehensive loss for the year		(1,919,936)	(6,141,766)
Basic and fully diluted loss per common share		(0.02)	(0.08)
Weighted average number of common shares outstanding - basic and diluted		89,512,539	73,086,289

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

	Year ended December 31, 2022 \$	Year ended December 31, 2021 \$
OPERATING ACTIVITIES		
Net loss for the year	(1,919,936)	(6,141,766)
Items not involving cash:		
Depreciation	7,198	5,300
Flow through income	-	(140,110)
Interest expense	-	5,700
Share-based payments	328,241	737,106
Changes in non-cash working capital items:		
Amounts receivable	16,356	(25,975)
Prepaid expenses and advances	47,752	(64,872)
Deposits	(288)	(106,000)
Accounts payable and accrued liabilities	(320,636)	785,395
Deferred acquisition costs	(95,813)	-
Cash used in operating activities	(1,937,126)	(4,945,222)
INVESTING ACTIVITIES		
Spinout transaction costs	-	(407,242)
Mineral property interests	(80,726)	(20,000)
Acquisition of equipment	-	(9,705)
Cash used in investing activities	(80,726)	(436,947)
FINANCING ACTIVITIES		
Shares and warrants issued for cash	2,000,000	6,205,390
Share issuance costs	-	(184,561)
Loan proceeds from KORE Mining Ltd	-	500,000
Repayment of loan from KORE Mining Ltd.	-	(505,700)
Cash provided by financing activities	2,000,000	6,015,129
Change in cash	(17,852)	632,960
Cash at beginning of the year	632,961	1
Cash at end of the year	615,109	632,961
Supplemental cash flow information:		
Interest received in cash	159	-
Non-cash investing and financing activities:		
Spinout of assets from KORE Mining Ltd.	-	10,451,700
Units issued for debt	52,500	-
Shares issued for mineral property	-	50,000

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

	<u>Common Shares</u>		Share-based reserves	Deficit	Total Equity
	Number	Amount			
		\$	\$	\$	\$
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 issued on mineral property	90,909	50,000	-	-	50,000
Flow through shares 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	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 issued pursuant to price protection provision	301,055	-	-	-	-
Share-based payments	-	-	328,241	-	328,241
Net loss for the year	-	-	-	(1,919,936)	(1,919,936)
December 31, 2022	90,910,108	17,498,247	2,002,020	(8,061,702)	11,438,565

KARUS GOLD CORP.

Notes to the Financial Statements

December 31, 2022

(Expressed in Canadian dollars)

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 “Spinout”) (Note 5). 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 year.

As at December 31, 2022, the Company had an accumulated deficit of \$8,061,702. For the year ended December 31, 2022, the Company had no revenues, had a net loss of \$1,919,936, and used cash flows in operations of \$1,937,126.

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 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”).

These financial statements have been authorized for issue by the Board of Directors of the Company on April 24, 2023.

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 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

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the circumstances and result in judgments about the carrying value of assets and liabilities. 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.

Critical Judgments

Mineral properties

The application of the Company's accounting policy for mineral properties requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is impaired in the statement of loss and comprehensive loss during the period the new information becomes available.

Factors considered in the assessment of impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, and environmental or political factors that could affect the assets' value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the acquisition and development or cost of holding such assets; whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future on mineral properties; and whether the Company has the necessary funds to be able to maintain its interest in the mineral properties.

Spinout transaction

The acquisition of assets and liabilities pursuant to the Spinout and distribution of Spinout Shares during the year ended December 31, 2021, required management to make judgments regarding the treatment of the Spinout (Note 5). 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*.

Going concern

The application of the going concern assumption requires management to take into account all available information about the future, which is at least but not limited to twelve months from the end of the reporting period.

Significant Estimates

Significant areas requiring the use of estimates include the carrying value of mineral properties, the useful lives of long-lived assets, fair value of share-based payments, and unrecognized deferred income tax assets.

During the year ended December 31, 2021, 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 judgment by management (Note 5). 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 and are subject to insignificant risk of changes in value.

Foreign exchange translation

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 the statement of loss.

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:

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- 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; and
- The status of environmental permits; and
- The status of mining leases or permits.

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, 2022 and 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 the statement of 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

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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 the statement of loss.

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 the statement of 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 the statement of 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.

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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.

The fair value of share-based payments is charged to the statement of loss with the offsetting credit to share-based reserves. 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-based reserves 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-based reserves.

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. As at December 31, 2022, the Company has 6,972,583 (2021 – 10,024,856) potentially issuable shares from stock options, share purchase warrants, and RSUs.

Financial Instruments

Measurement – Initial Recognition

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as fair value through profit or loss (“FVTPL”). Transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period they are incurred. The Company does not have any financial assets or liabilities classified as at FVTPL.

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Subsequent measurement of financial assets and liabilities depends on each asset or liability's classification.

Financial Assets

Financial assets that meet the following conditions are measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets at amortized cost include its cash and deposits.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the related contractual arrangements.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity.

The amortized cost of a financial asset or liability is the initial recognition minus principal repayments minus the cumulative amortization, using the effective interest method applied to the difference between the initial amount, payments made and the maturity amount, adjusted for any allowance due to expected credit losses. Interest income is recognized using the effective interest method.

An equity instrument is any contract that evidences a residual interest in an entity's assets after deducting all of its liabilities. Equity instruments issued by the Company are recognized as proceeds received net of direct issue costs.

Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire. Financial liabilities are derecognized only when the Company's obligations are discharged, cancelled, or they expire. On derecognition, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability obtained) is recognized in the statement of loss.

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 the statement of 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

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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 the statement of loss as other income.

New IFRS Pronouncements - not yet adopted

Amendments to IAS 1 - Presentation of Financial Statements

In October 2022, the IASB issued amendments to IAS 1, Presentation of Financial Statements titled Non-current liabilities with covenants. These amendments seek to improve the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period. These amendments to IAS 1 override but incorporate the previous amendments, Classification of liabilities as current or non-current, issued in January 2020, which clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendments are effective January 1, 2024, with early adoption permitted. Retrospective application is required on adoption. The Company does not expect the impact of this amendment to be significant to its financial statements.

Amendment to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1, Presentation of Financial Statements and the IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on the application of materiality judgments to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Guidance and illustrative examples are added in the Practice Statement to assist in the application of materiality concept when making judgments about accounting policy disclosures. The amendments are effective January 1, 2023, with early adoption permitted. Prospective application is required on adoption. The Company does not expect the impact of this amendment to be significant to its financial statements.

Amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In February, 2021, the IASB issued an amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") to introduce the definition of an accounting estimate and include other amendments to help entities to distinguish changes in accounting estimates from changes in accounting policies. The amendment to IAS 8 is effective for annual reporting periods on or after January 1, 2023, and early adoption is permitted. The Company does not expect the impact of this amendment to be significant to its financial statements.

Amendment to IAS 12, Income Taxes

In May, 2021, the IASB issued an amendment to IAS 12, Income Taxes ("IAS 12") to clarify how companies account for deferred taxes on transactions such as leases and decommissioning obligations. The amendment requires companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable deductible temporary differences. The amendment to IAS 12 is effective for annual reporting periods on or after January 1, 2023, and early adoption is permitted. The Company does not expect the impact of this amendment to be significant to its financial statements.

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4. 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 is also subject to customary closing conditions, including the approvals of Karus’ shareholders, the court, and the TSX-V. The Proposed Transaction will be subject to customary closing conditions including Karus shareholder, court, and TSX Venture Exchange approvals.

During the year ended December 31, 2022, the Company recognized deferred transaction costs, consisting of professional fees, related to the Proposed Transaction in the amount of \$95,813 (2021 - \$Nil).

5. 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 common 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).

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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

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%.

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 9), along with accrued interest of \$5,700, during the year ended December 31, 2021.

6. EQUIPMENT

Cost:	Equipment		Vehicles		Total
Balance, December 31, 2020	\$ -	\$ -	\$ -	\$ -	-
Acquired from Kore mining	3,375		8,550		11,925
Additions	9,705		-		9,705
Balance, December 31, 2021	\$ 13,080		\$ 8,550		\$ 21,630
Balance, December 31, 2022	\$ 13,080		\$ 8,550		\$ 21,630
Accumulated depreciation:	Equipment		Vehicles		Total
Balance, December 31, 2020	\$ -	\$ -	\$ -	\$ -	-
Additions	3,590		1,710		5,300
Balance, December 31, 2021	\$ 3,590		\$ 1,710		\$ 5,300
Additions	5,488		1,710		7,198
Balance, December 31, 2022	\$ 9,078		\$ 3,420		\$ 12,498
Net book value:					
Balance, December 31, 2021	\$ 9,490		\$ 6,840		\$ 16,330
Balance, December 31, 2022	\$ 4,002		\$ 5,130		\$ 9,132

7. MINERAL PROPERTIES

The balance and summary of the changes to of the South Cariboo mineral property is as follows:

	South Cariboo Region
Balance, December 31, 2020	-
Acquired from Kore Mining	10,832,017
Option payments	70,000
Balance, December 31, 2021	\$ 10,902,017
Claim staking	8,226
Option payments	72,500
Balance, December 31, 2022	\$ 10,982,743

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 certain 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 2023. As at December 31, 2022, 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 of December 31, 2022, 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, broken down as follows:

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

Yukon Claims

As at December 31, 2021, the Company held a 100% interest in the White Gold Project, located in Yukon, Canada. The property was 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. As at December 31, 2022 and 2021, there was no cost capitalized for the Yukon Claims within Mineral Properties on the statement of financial position.

Exploration and evaluation expenses

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

	Year ended December 31, 2022	Year ended December 31, 2021
	\$	\$
Assay and sampling	153,566	382,949
Claim, staking, holding and taxes	863	16,831
Community engagement	22,136	42,055
Drill program	-	2,508,243
Engineering, metallurgy and geotechnical	-	63,462
Geophysics and ground prospecting	-	105,405
Project general and administrative	83,821	431,745
Project staff and contractors	385,131	525,354
Travel, logistics and camp costs	11,733	300,893
Other recovery	-	(50,000)
	657,250	4,326,937

8. 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 9). 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 the statement of loss as flow-through income.

9. SHARE CAPITAL**Authorized**

Unlimited number of common shares with no par value.

Issued and Outstanding

As at December 31, 2022, there were 90,910,108 (2021 – 84,799,313) common shares outstanding.

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The Company had the following share transactions during the year ended December 31, 2022:

- In January 2022, the Company issued 95,454 units in settlement of previously incurred management fees. Each unit consists of one common share and one-half share purchase warrant, where each whole warrant entitles the holder to acquire an additional common share of the Company at a price of \$0.85 per share for a period of 24 months. The fair value of these units was determined by the Company's recent unit private placements. The Company allocated \$9,144 to the share purchase 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 1.31%, volatility of 100%, 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 at \$0.35 per share 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, exercisable at any time until March 25, 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: interest rate of 2.14%, volatility of 100%, expected life of 3 years, and a dividend yield of 0%. Total value allocated to the Yamana Option was \$736,928.

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 December 31, 2022 and the date of these financial statements, Yamana owns approximately 6% of the issued and outstanding common shares of the Company.

The investment by Yamana also includes a price protection right ("2022 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 (described below) and the units issued in settlement of management fees, as described above, also include a price protection right ("2021 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 year ended December 31, 2022, the 2021 Price Protection Rights were triggered as a result of the investment by Yamana and therefore the Company issued a further 301,055 common shares. The fair value of these shares was considered to be \$0.35 per share, being the price of the investment by Yamana, and they are treated, for accounting purposes, as cost of issuing the shares to Yamana. 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.

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The issuance of additional shares under the Price Protection Right, including the 2022 and 2021 Price Protection Right, is limited to individual subscribers not holding more than 9.9% of the common shares outstanding of the Company.

The Company had the following share transactions during the year ended December 31, 2021:

- In January 2021, pursuant to the spinout from KORE (Note 5), the Company issued 53,112,455 common shares with a fair value of \$10,435,000 and 1,750,000 share purchase warrants with a fair value of \$16,700.
- In March 2021, the Company issued 2,300,000 common shares pursuant to a private placement for proceeds of \$575,000.
- In March 2021, the Company completed a rights offering whereby 26,556,228 common shares were issued to Karus shareholders at a price of \$0.15 per share for 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 pursuant to a private placement. Each unit consisted of one common share and one-half share purchase warrant, where each whole warrant entitles the holder to acquire an additional common share of the Company at a price of \$0.85 per share 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 share issuance costs of \$91,673 which was allocated on the same pro-rata allocation as the proceeds with \$80,327 allocated to common shares and \$11,346 to share purchase warrants.
- 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 common share and one-half share purchase warrant, where each whole warrant entitles the holder to acquire an additional common share of the Company at a price of \$0.85 per share 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 common shares pursuant to a certain option agreement (Note 7) which required a share payment with a fair value of \$25,000 and a payment of \$25,000. These common shares were issued as full settlement of the \$50,000 commitment for the year ended December 31, 2021.

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- 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 common share and one-half share purchase warrant, where each whole warrant entitles the holder to acquire an additional common share of the Company at a price of \$0.85 per share 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 share issuance costs of \$7,836 which was allocated on the same pro-rata allocation as the proceeds with \$6,859 allocated to common shares and \$977 to share purchase 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 common share and one-half share purchase warrant, where each whole warrant entitles the holder to acquire an additional common share of the Company at a price of \$0.85 per share 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 share issuance costs of \$3,918 which was allocated on the same pro-rata allocation as the proceeds with \$3,430 allocated to common shares and \$488 to share purchase warrants.

Warrants

A summary of the warrant activity for the year ended December 31, 2022, 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 5)	1,750,000		0.75
Balance, December 31, 2021	3,119,856	\$	0.79
Issued	47,727		0.85
Expired	(1,750,000)		0.75
Balance, December 31, 2022	1,417,583	\$	0.85

As at 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

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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.

A summary of the stock option activity for the year ended December 31, 2022 and 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
Forfeited	(1,350,000)	0.25
Balance, December 31, 2022	2,950,000	\$ 0.25

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

Expiry date	Number of options outstanding	Number of options exercisable	Exercise price \$
March 7, 2026	2,950,000	1,475,000	\$ 0.25
	2,950,000	1,475,000	\$ 0.25

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.

A summary of the RSU activity for the years ended December 31, 2022 and 2021, is as follows:

	Number of RSUs outstanding
Balance, December 31, 2020	-
Granted	2,605,000
Balance, December 31, 2022 and 2021	2,605,000

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As at 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	1,302,500
	2,605,000	1,302,500

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

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

	December 31, 2022	December 31, 2021
Risk free interest rate	-	0.99%
Expected life	-	3.0
Annualized volatility	-	75%
Dividend rate	-	0%

During the year ended December 31, 2022, the Company did not grant any stock options or RSUs, however recognized \$391,931 (2021 - \$738,146) 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. During the year ended December 31, 2022, total share-based payments of \$63,690 (2021 - \$1,040), pertaining to previously recognized grant date fair value of unvested stock options, was reversed due to forfeiture of such stock options.

10. 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 year ended December 31, 2022, such administrative transactions with KORE amounted to \$59,643 (2021 - \$141,312). As at December 31, 2022, the amount owing to KORE was \$200,955 (2021 - \$141,312), which is recorded in accounts payable and accrued liabilities.

During the year ended December 31, 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 year ended December 31, 2022, the Company incurred \$68,000 (2021 - \$Nil) in professional fees to Avisar. As at December 31, 2022, the total amount owing to Avisar was \$9,240 (2021 - \$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.

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	Year ended	Year ended
	December 31, 2022	December 31, 2021
Management fees and salaries	\$ 246,417	\$ 363,831
Share-based compensation	207,691	508,326
Total	\$ 454,107	\$ 872,157

As at December 31, 2022, a total of \$8,750 (2021 - \$127,250) was payable to key management personnel. The amounts owing are unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2022, the Company settled \$52,500 for previous management fees through the issuance of units. The common shares issued as part of these units also include the Price Protection Right (Note 9).

11. 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.

12. 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, 2022, the Company had working capital of \$229,589 but does not have any long term monetary liabilities. The Company

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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 December 31, 2022, the Company had cash of \$615,109 to settle current liabilities of \$412,259. The Company's financial liabilities 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 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 December 31, 2022, 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 \$759 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.

13. SEGMENTED INFORMATION

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

14. 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:

	2022	2021
Loss for the year	\$ (1,919,936)	\$ (6,141,766)
Expected income tax (recovery)	\$ (518,000)	\$ (1,658,000)
Other	298,000	184,000
Permanent differences	90,000	161,000
Share issue cost	(10,000)	(50,000)
Change in unrecognized deductible temporary	140,000	1,363,000
Total income tax expense (recovery)	\$ -	\$ -

KARUS GOLD CORP.
Notes to the Financial Statements
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(Expressed in Canadian dollars)

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:

	2022	Expiry Date Range	2021	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$ 3,211,000	No expiry date	\$ 3,561,000	No expiry date
Property and equipment	12,000	No expiry date	5,000	No expiry date
Share issue costs	116,000	2043 to 2046	148,000	2042 to 2045
Non-capital losses available for future periods:	2,226,000	2041 to 2042	1,331,000	2041

As at December 31, 2022, the Company has non-capital losses available for carry forward of \$2.2 million, which may be applied to reduce future year's taxable income.

These unrecognized loss carry-forwards expire as follows:

	Canada
2041	\$ 1,008,908
2042	1,217,092