



KARUS GOLD CORP.

Management's Discussion and Analysis

For the Year Ended December 31, 2021

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(Expressed in Canadian dollars unless otherwise stated)

The following Management's Discussion and Analysis ("MD&A"), prepared as of April 26, 2022, should be read together with the audited financial statements of Karus Gold Corp. ("Karus Gold" or the "Company") for the year ended December 31, 2021 and related notes thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated. The reader should be aware that historical results are not necessarily indicative of future performance.

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, spun out of KORE Mining Ltd. in the first quarter of 2021, controls 1,056 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 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 29% and by strategic investor, Eric Sprott, who owns 25% of Karus Gold as of the date of this MD&A. 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 m 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 ended December 31, 2021, the Company accomplished the following:

- In January 2021, completed its spinout of Karus Gold Corp. from KORE Mining Ltd, creating a standalone BC focused gold exploration company.
- In March 2021, appointed Mr. Andrew Kaip and Mr. David Whittle as directors of the Company. The Company appointed Mr. Kaip as President and CEO and Mr. Whittle as Chairman of the Audit Committee.
- In March 2021, completed a rights offering, raising \$3,983,434 through the issuance of 26,556,228 shares. Karus shareholders subscribed for a total 21,263,385 shares under the basic subscription privilege and an additional 24,365,942 shares were subscribed under the over-allotment provision resulting in a total of 172% of rights subscribed; due to strong demand, only 5,292,843 shares were available for over-allotment and allocated on a pro-rata basis.
- In March 2021, the Company granted 4,320,000 stock options with an exercise price of \$0.25 and term of five years and 2,605,000 restricted share units ("RSUs") to directors, officers, employees and consultants.
- From mid-June to mid- September 2021 completed an exploration program on the South Cariboo Gold project which included drill programs at both FG Gold and Gold Creek and a property-wide exploration program to evaluate additional prospects and discover new zones of gold mineralization on the project area. At FG Gold, 19 diamond drill holes for a total of 7,142 meters ("m") were completed with the results confirming the orientation and continuity of vein corridors hosting higher grade gold mineralization and the potential to discover stacked vein corridors with further drilling. The Gold Creek drill program included 1,389 m in 5 diamond drill holes to confirm the orientation of high grade gold mineralization in the Camp Zone.

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- In September 2021, completed a non-brokered private placement of 1,529,929 units at a price of \$0.55 per unit ("Unit") and 778,391 flow through units at \$0.73 per flow through unit ("FT Unit") for aggregate gross proceeds of \$1,409,686. Each Unit consisted of one common share and one half of one common share purchase warrant with each whole warrant entitling the holder to purchase one common share at a price of \$0.85 for a period of 24 months.
- In December 2021, completed an offering memorandum and private placement financing for combined gross proceeds of \$237,270. Both offerings were at a price of \$0.55 per unit with each Unit consisting of one common share and one-half of one common share purchase warrant, where each whole warrant entitles the holder to acquire one additional common share for a period of 24 months at a price of \$0.85 per common share. The units included an anti-dilution provision until such date as the Company is listed on the TSX Venture Exchange ("TSXV") (or other suitable exchange).

Subsequent to December 31, 2021, the Company completed the following:

- In January 2022, announced the results from the 2021 drill program at Gold Creek, including hole GC-21-049 that returned 0.74 grams per tonne ("g/t") gold over 46.4 m within a broader envelope of gold mineralization of 0.49 g/t gold over 80.65 m.
- Appointed Joe Ovsenek and Cathy McLay as independent directors of the Company, strengthening the governance and building Karus Gold into a leading BC Gold explorer.
- In February 2022, announced results from the first 6 diamond drill holes at FG Gold, including 6.5 m of 9.55 g/t gold within a broader interval of 35.4 m of 2.94 g/t gold confirming the presence of new high grade gold corridors below historical drilling at FG Gold.
- In March 2022, completed a \$2,000,000 strategic investment from Yamana Gold Inc. through the issuance of 5,714,286 common shares with an option to invest a further \$3,000,000 exercisable at any time until March 28, 2025. The investment included certain rights, including a nomination of one individual to the board and technical advisory committee, anti-dilution rights and top-up rights, subject to its exercising the additional \$3,000,000 investment and continuing to beneficially own or control not less than 5% of the Company.
- Settled \$52,500 of accrued management services fees through the issuance of 149,999 common shares and 47,727 warrants at a price of \$0.85 per common share expiring January 19, 2024.
- In April 2022, the Company announced results from a further 5 diamond drill holes at FG Gold, including 17.87 m of 2.23 g/t gold within a broader interval of 59.35 m of 1.13 g/t gold.
- In April 2022, announced the appointment of Anil Jiwani as CFO of the Company effective May 1, 2022.

2022 Outlook

The Company's focus for 2022 will be significant exploration of its South Cariboo Gold property including drilling at both FG Gold and Gold Creek in the summer of 2022 and completing the Company's public listing on the TSXV. 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.

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 project ("FG Gold") 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 Gold is located at the headwaters of the Horsefly River, 50 km east of Horsefly, BC and consists of 35

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contiguous claims (13,008 ha). The FG Gold is part of the district scale claim block 100% owned by Karus Gold, the South Cariboo Gold property.

The FG Gold is at low elevation and accessible by forestry roads. The FG Gold contains a sediment hosted orogenic gold prospect on the northeast limb of the Eureka syncline. The syncline is >20 km 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 93 m 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.

In 2020, KORE completed 7,412 m in 23 diamond drill holes on the South Cariboo Gold project, the focus of which was to evaluate the along strike and potential for gold mineralization to extend below areas of historical drilling at both FG Gold and Gold Creek. Detailed interpretation of the 2020 drill program at FG Gold identified 2 higher grade gold vein corridors downdip of historical drilling. Both corridors extend 650 m along strike and are open for extension and provide an exploration roadmap for further upgrades and new underground grade discoveries. Highlights from the 2020 drill program include:

- Corridor 1, located 100 m down dip of historical drilling and within the "Upper Zone", is traced for 650 m along strike by the following intercepts:
 - 10 m of 5.5 g/t gold in FG-20-382
 - 4.5 m of 7.7 g/t gold in FG-20-383
 - 5.3 m of 10.2 g/t gold in FG-20-385
 - 6.6 m of 9.7 g/t gold in FG-20-378
 - 12.4 m of 4.3 g/t gold in FG-20-376
- Corridor 2, located 300 m down-dip of historical drilling and within the "Lower Zone", is traced for 650 m along strike by the following intercepts:
 - 29 m of 1.5 g/t gold, including 15.5 m of 1.9 g/t gold in FG-20-380
 - 7 m of 3.1 g/t gold in FG-20-381
 - 17 m of 1.7 g/t gold, including 3 m of 5.8 g/t gold in FG-20-379
 - 14.4 m of 6.4 g/t gold in FG-20-377

During 2021, Karus Gold drilled 7,142 m in 19 diamond drill holes. The program successfully (1) confirmed the orientation of vein corridors hosting high grade gold mineralization identified by the 2020 drill program; (2) demonstrated continuity of gold mineralization within vein corridors through 50 m spaced drill holes along trend; and (3) opened the potential for stacked vein corridors with several zones of increased veining outside of the targeted corridors. In February 2022, the Company announced results from the first 6 diamond drill holes at FG Gold, including 6.5 m of 9.55 grams per tonne gold within a broader interval of 35.4 m of 2.94 g/t gold confirming the presence of new high grade gold corridors below historical drilling at FG Gold. In April 2022, the Company released the results from a further 5 diamond drill holes at FG Gold, including 17.9 m of 2.23 g/t gold within a broader interval of 59.4 m of 1.13 g/t gold.

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Drill Hole	Zone	From (m)	To (m)	Length^{1,2} (m)	Gold Grade³ (g/t)
FG-21-391		245.5	249.14	3.64	0.77
FG-21-393	Corridor 1	218.1	273.5	55.4	0.63
incl.				4.5	2.00
FG-21-394	New	126.9	135.3	8.4	1.55
and	New	217.5	229.4	11.9	1.55
and	Corridor 1	242	269.6	27.6	0.57
and	New	277.5	340.8	63.3	0.58
FG-21-396		128.45	134	5.55	0.83
and	Corridor 1	216	222.5	6.5	1.95
and	Corridor 1	232	241.5	9.5	2.53
FG-21-398	New	216	232.2	16.2	1.8
and	Corridor 1	241	258.8	17.8	0.69
and	Corridor 1	267.1	301.4	34.3	0.51
FG-21-401 ⁴	Corridor 1	248	283.4	35.4	2.94
incl.		248	254.5	6.5	9.55
incl.		249.3	250.9	1.6	27.1
FG-21-392	Corridor 1	174	234.7	60.7	0.43
incl.		174	183.9	9.9	0.68
incl.		193	198.2	5.2	1.94
FG-21-395	Corridor 1	209.1	247.5	38.4	0.84
incl.		229.5	237.4	7.9	2.81
FG-21-397	Corridor 1	178.28	182.55	4.27	1.33
FG-21-397		195	201.65	6.65	0.6
FG-21-397		218.17	243.19	25.02	1.14
incl.		230.16	237.31	7.15	2.88
FG-21-397		255.9	271.38	15.48	0.68
FG-21-400	Corridor 1	173.5	191.15	17.65	0.74
inc.		186.5	191.15	4.65	2.06
FG-21-400		212.4	271.75	59.35	1.13
inc.		221.63	239.5	17.87	2.23
FG-21-403	Corridor 1	207	210.35	3.35	1.66
FG-21-403		219.95	231.15	11.2	0.45
FG-21-403		248.5	255.9	7.4	0.93
FG-21-403		284.3	287	2.7	1.37

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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%-75% of the true thickness of the zone.
3. Composites are calculated using a 0.3 g/t Au cutoff, incorporating no more than 7 m downhole dilution. Higher grade composite sections are calculated using a 1 g/t and 3 g/t cutoff incorporating no more than 5 m downhole dilution. Screen metallic assay data is utilized preferentially over standard fire assay analysis where available as it is more representative of the true sample value due to the increased sample volume processed and the multiple gold size fractions analyzed.

The FG Gold 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 m of 0.52% copper equivalent, including 8.65 m of 1.1% copper equivalent.¹ 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.

As part of the FG Gold land holdings, the Company is subject to certain mineral property agreements, including certain option agreements to acquire nearby and contiguous properties. The option agreements collectively have annual payments 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.

During the year ended December 31, 2021, the Company issued 90,909 shares pursuant to an option agreement with 2021 obligations of a cash payment of \$25,000 and a share issuance with a value of \$25,000. The 90,909 shares were issued as full settlement of the 2021 obligations pursuant to this option agreement.

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 70 km 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.

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 Gold 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.

¹ 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.

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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 1.5 m of 13.4 g/t (GC11-27 10.7m to 12.2m), 9 m of 5.5 g/t (GC17-34 16.0 m to 25.0 m), including 1.5 m of 18.0g/t, and 84.65 m of 1.0 g/t (GC17-35 85.85 m to 170.50 m).

Drilling by KORE Mining in 2020 at the Gold Creek project completed an initial test of the 1,000 m long gold in soil geochemistry anomaly that defines the Camp Creek zone. In total, KORE Mining drilled five holes totaling 1,530 m (Figure 5). Drill holes GC-20-42 to GC-20-44 tested 400 m of strike potential southeast 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 GC-20-41 were drilled outside of the Camp Creek trend and intersected anomalous silver-base metal mineralization. A total of 1,389 m in five diamond drill holes was completed at Gold Creek between mid-June and early July 2021, including hole GC-21-049 that returned 0.74 grams per tonne (“g/t”) gold over 46.4 m within a broader envelope of gold mineralization of 0.49 g/t gold over 80.65 m. Based on this drill program the Company is confident that gold mineralization at the Camp Zone is contained within a corridor that strikes northwest and dips approximately 60-70 degrees to the northeast (Figure 2). The Camp Zone has been traced through wide-spaced drilling for ~1,000 m along strike and to a depth of ~280 m below surface, ~250 m down-dip (Figure 3). Gold mineralization at the Camp Zone lies to the northwest and along trend of the Spanish Mountain deposit, 100% owned by Spanish Mountain Gold, which hosts measured and indicated resources of 4.7 million ounces of gold grading 0.5 g/t gold (see Spanish Mountain Gold May 11, 2021 press release).

Table of significant drill results

Drill Hole	From (m)	To (m)	Interval (m)	Au Grade^{1,2} (g/t)
GC-21-049	101.6	182.25	80.65	0.49
<i>including</i>	<i>112.9</i>	<i>159.3</i>	<i>46.4</i>	<i>0.74</i>
GC-21-048	193.4	266.75	73.35	0.44
<i>including</i>	<i>223.2</i>	<i>251</i>	<i>27.8</i>	<i>0.83</i>
GC-21-047	180.4	228.5	48.1	0.31
GC-21-046	215.1	261.33	46.21	0.42
<i>including</i>	<i>242.9</i>	<i>257.78</i>	<i>14.88</i>	<i>0.64</i>
GC-21-045	186.7	228	41.35	0.49
	206.6	219.15	12.55	1.06

1. Karus Gold has not been able to determine true width yet due to complexity of the vein structures within the mineralized zones. The 2021 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. Composites are calculated using a 0.1 g/t Au cutoff, incorporating no more than 7 m downhole dilution. Higher grade composite sections are calculated using a 1 g/t and 3 g/t cutoff incorporating no more than 5 m downhole dilution.

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Exploration & Evaluation Expenses

Following is a summary of exploration and evaluation expenses for the South Cariboo Gold Project for year ended December 31, 2021:

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

Results of Operations

For the three months and year ended December 31, 2021

During the three months and year ended December 31, 2021, the Company's net loss was \$815,844 and \$6,141,766 respectively; 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 for the year ended December 31, 2021 include exploration and evaluation costs of \$4,326,937, professional fees of \$256,172 incurred in connection with the Company's commencement of operations and preparation for TSXV listing, marketing, advisory and non-cash costs of \$737,106 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.

Summary of Quarterly Results

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

	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21	Fr the period from incorporation on November 20, 2020 to December 31, 2020
Net loss	\$ (815,844)	\$ (3,473,301)	\$ (1,257,722)	\$ (594,899)	\$ -
Basic & diluted loss per share	\$ (0.01)	\$ (0.04)	\$ (0.02)	\$ (0.01)	\$ -

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Item	Fiscal year ended December 31, 2021	Period from incorporation on November 20, 2020 to December 31, 2020
Net loss	\$ (6,141,766)	\$ -
Basic & diluted loss per share	\$ (0.08)	\$ -
Total assets	\$ 11,763,155	\$ 1

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 in exchange for Karus Gold common shares, 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 financial statements for the year ended December 31, 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 at least the next twelve months.

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 December 31, 2021, the Company had a cash balance of \$632,961 and working capital deficiency of \$61,587 with current liabilities of \$785,395. The Company has incurred losses since inception and does not generate any cash inflows from operations. For the year ended December 31, 2021, the Company used cash flows in operations of \$4,945,222. Subsequent to December 31, 2021, the Company raised \$2,000,000, however, the Company's ability to continue to operate and to carry out its planned exploration activities for the next twelve months is uncertain and

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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. The 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 year ended December 31, 2021 was \$4,945,222. Cash used in operating activities primarily related to operations during the year, 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 year ended December 31, 2021 was \$6,015,129. Cash provided by financing activities primarily related to the Company's rights offering and four private placements for gross proceeds of \$6,205,390 offset by costs incurred to complete these activities.

Cash Used in Investing Activities

Net cash used in investing activities during the year ended December 31, 2021 was \$436,947, which consists of the transaction costs incurred in the Spinout which were ultimately allocated to the exploration and evaluation assets acquired for \$407,242, a \$20,000 option payment in mineral properties on the South Cariboo Gold site, 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 December 31, 2021, there were 84,799,313 shares issued and outstanding.

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

	Number of Equity instruments	Exercise price	Expiry date
Issued & outstanding shares	90,910,108		
Warrants	1,500,000	\$0.75	July 22, 2022
Warrants	250,000	\$0.75	July 27, 2022
Warrants	788,475	\$0.85	September 2, 2023
Warrants	365,681	\$0.85	September 10, 2023
Warrants	17,500	\$0.85	December 2, 2023
Warrants	123,200	\$0.85	December 21, 2023
Warrants	75,000	\$0.85	December 23, 2023
Warrants	47,727	\$0.85	January 19, 2024
Stock Options	4,300,000	\$0.25	March 7, 2026
Restricted Share Units	2,605,000	-	-
Fully Diluted as at April 26, 2022	100,982,691		

In addition, as of the date of this MD&A, there are 827,909 shares included in the issued and outstanding shares that are subject to an anti-dilution clause whereby the Company will automatically issue additional common shares should the Company, provided it is not listed and trading on a stock exchange, issue shares at a price less than \$0.35 per common share ("Lower Per Share Price"). The number of shares to be issued will equal the difference between the investment divided by the Lower Per Share Price and the sum of the number of shares issued at the original price of \$0.55 and additional shares issued at the \$0.35 price. As of the date of this MD&A, there are also 5,714,286 shares included in the issued and outstanding shares that are subject to an anti-dilution clause whereby the Company will

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automatically issue additional common shares should the Company, provided it is not listed and trading on a stock exchange, issue shares at a price less than \$0.30 per common share ("Second Lower Per Share Price"). The number of shares to be issued will equal the difference between the investment divided by the Second Lower Per Share Price and the number of shares issued at the original price of \$0.35.

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.

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

b. **Liquidity Risk**

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

c. **Interest Rate Risk**

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

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 year ended December 31, 2021, the related party transactions, were as follows:

a. Reimbursement of costs of \$141,312 to KORE, which was included in accounts payable as at December 31, 2021.

b. Amounts owing to all related parties are unsecured, non-interest bearing and due on demand. As at December 31, 2021, \$127,250 is due to related parties, exclusive of the amounts due to KORE.

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Key Management Compensation

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

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, 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

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 judgements determining that the Spinout was not a common-control transaction, as there was no contractual arrangement between the shareholders of KORE who subsequently became the shareholders of the Company and accounted for it under IFRS 2, *Share-based payments*.

Significant Estimates

The determination of the fair value of the assets and liabilities transferred from KORE pursuant to the Spinout 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.

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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

The operations of Karus Gold are speculative due to the high-risk nature of its business which is the exploration of mining properties. The discovery, development and acquisition of mineral properties are in many respects unpredictable events. Future precious metal prices, capital equity markets, the success of exploration programs and other property transactions can have a significant impact on Karus Gold's capital requirements.

These are not the only risks and uncertainties that Karus Gold faces. Additional risks and uncertainties not presently known to Karus Gold or that Karus Gold currently considers immaterial may also impair its business operations. These risk factors could materially affect Karus Gold's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to Karus Gold.

Risks relating to Karus Gold's ability to raise funding to continue its exploration, development, and mining activities

Karus Gold has no revenues from operations and has recorded losses since inception. Karus Gold expects to incur operating losses in future periods due to continuing expenses associated with general and administrative costs, costs of seeking new business opportunities, and advancing the FG Gold and Gold Creek Projects. Karus Gold has finite financial resources and its ability to achieve and maintain profitability and positive cash flow is dependent upon its ability to:

- generate revenues in excess of expenditures;
- reduce costs in the event revenues are insufficient; and
- secure near and long-term financing.

Karus Gold may rely on a combination of equity and debt financing to meet its capital requirements. Additional funds raised by Karus Gold through the issuance of equity or convertible debt securities will cause current Karus Gold Shareholders to experience dilution. Such securities may grant rights, preferences, or privileges senior to those of the Karus Gold Shareholders.

Karus Gold does not have any contractual restrictions on its ability to incur debt and accordingly, Karus Gold could incur significant amounts of indebtedness to finance its operations. Any such indebtedness could contain covenants, which would restrict Karus Gold's operations.

Karus Gold may need to pursue alternative ways to finance its future operations as it develops the FG Gold and Gold Creek Projects and seeks new business opportunities. There are no assurances or guarantees that any financing alternative will be successful. There is no certainty that additional financing either through traditional equity and debt financing arrangements or an alternative transaction, or any combination thereof, will be available at all or on acceptable terms.

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Karus Gold has not had a separate operating history as a stand-alone entity

Karus Gold has become an independent company. The operating history of KORE cannot be regarded as the operating history of Karus Gold. The ability of Karus Gold to raise capital, satisfy its obligations and provide a return to its shareholders will be dependent on future performance. It will not be able to rely on the capital resources and cash flows of KORE.

Karus Gold has not defined any proven or probable reserves and none of its mineral properties are in production or under development

Karus Gold is an exploration and development company, and all of its properties are in the exploration stage. Karus Gold has not defined or delineated any measured resources or proven or probable reserves on any of its properties. The properties to be held by Karus Gold are less explored than those properties retained by KORE.

Political and regulatory risks

Any changes in government policy may result in changes to laws affecting ownership of assets, mining policies, monetary policies, taxation, royalty rates, rates of exchange, environmental regulations, labour relations and return of capital. This may affect both Karus Gold's ability to undertake exploration and development activities in respect of present and future properties in the manner currently contemplated, as well as its ability to continue to explore, develop and operate those properties in which it has an interest or in respect of which it has obtained exploration and development rights to date. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

Speculative nature of mining exploration and development

The exploration for and development of mineral deposits involves significant risks. Few properties that are explored are ultimately developed into producing mines. Major expenses are typically required to locate and establish mineral reserves. Substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Development of Karus Gold's mineral projects will only follow upon obtaining satisfactory results, which there is no guarantee will occur or be obtained. Exploration and development of natural resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. There is no assurance that Karus Gold's exploration and development activities will result in any discoveries of commercial bodies of ore. There is also no assurance that, even if commercial quantities of ore are discovered, any of Karus Gold's mineral projects will be brought into commercial production. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as attributes of the deposit, accuracy of estimated size, continuity of mineralization, average grade, proximity to infrastructure, availability and cost of water and power, cost of labour, anticipated climatic conditions, commodity prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted but the combination of these factors may result in Karus Gold being unable to receive an adequate return on invested capital. The processes of exploration, development and operations also involve risks and hazards, including environmental hazards, industrial accidents, labour disputes, unusual or unexpected geological conditions or acts of nature. These risks and hazards could lead to events or circumstances, which could result in the complete loss of a project or could otherwise result in damage or impairment to, or destruction of, mineral properties and future production facilities, environmental damage, delays in exploration and development interruption, and could result in personal injury or death. Although Karus Gold evaluates the risks and carries insurance policies to mitigate the risk of loss where economically feasible, not all of these risks are reasonably insurable and insurance coverages may contain limits, deductibles, exclusions, and endorsements. Karus Gold cannot assure that its coverage will be sufficient to meet its needs. Such a loss may have a material adverse effect on Karus Gold.

Mining is a high-risk business

Karus Gold's principal operation will be the exploration for and the mining of precious metals. Its operations will be subject to all of the hazards and risks normally encountered in the mining and processing of minerals. These include

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unusual and unexpected geological formations, rock falls, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to or loss of life or property, environmental damage, and possible legal liability. Although adequate precautions to minimize risk will be taken, operations are subject to hazards, which may result in environmental pollution and consequent liability which could have a material adverse effect on the business, operations, and financial performance of Karus Gold. As is common with all mining operations, there is uncertainty and therefore risk associated with Karus Gold's operating parameters and costs. These can be difficult to predict and are often affected by factors outside Karus Gold's control.

Government regulation risk

The development and exploration activities of Karus Gold are subject to various laws governing prospecting, development, production, exports, imports, taxes, labour standards and occupational health and safety, mine safety, toxic substances, waste disposal, environmental protection and remediation, protection of endangered and protected species, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could have an adverse effect on Karus Gold's financial position. Amendments to current laws, regulations and permits governing development activities and activities of mining and exploration companies, or more stringent or different implementation, could have a material adverse impact on Karus Gold's financial position, or could require abandonment or delays in the development of new mining properties. Failure to comply with any applicable laws, regulations or permitting requirements may result in enforcement actions against Karus Gold, including orders issued by regulatory or judicial authorities causing development or exploration activities to cease or be curtailed or suspended, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Karus Gold could be forced to compensate those suffering loss or damage by reason of its processing, development or exploration activities and could face civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Any such regulatory or judicial action could materially increase Karus Gold's operating costs and delay or curtail or otherwise negatively impact Karus Gold's activities.

Title defects or claims may affect development projects and future acquisitions

Title to Karus Gold's properties may be challenged or impugned. Karus Gold's mining properties may be subject to prior unregistered agreements, transfers or subject to challenge by private parties. Claims and title may be affected by, among other things, undetected defects. A determination of defective title or a challenge to title rights could impact Karus Gold's existing exploration and development projects and future acquisitions.

Indigenous Peoples' claims and rights to consultation and accommodation may affect Karus Gold's existing properties, as well as, future acquisitions. On October 25, 2021 the Gixtaaxla First Nation filed a petition to the British Columbia Supreme Court seeking a judicial review, arguing that the online registry the province uses to automatically grant mineral rights in its territory does not require the government to consult with the First Nation and simply grants the claim process. The petition by the Gixtaaxla First Nation argues that the mineral title online registry of the Province of British Columbia is a violation of the government's constitutional requirements to consult with the First Nation and the United Nations Declarations on the Rights of Indigenous Peoples (UNDRIP), which the province has committed to implement. A decision by the British Columbia Supreme Court on the Gixtaaxla First Nation petition may affect Karus Gold's existing properties as well as future acquisitions.

Governments in many jurisdictions may consult with Indigenous Peoples with respect to grants of mineral rights and the issuance or amendment of project authorizations. These requirements are subject to change from time to time. As an example, the Government of British Columbia has recently introduced legislation to implement the United Nations Declaration on the Rights of Indigenous Peoples in British Columbia. Consultation and other rights of Indigenous Peoples may require accommodations, including undertakings regarding financial compensation, employment and other matters in impact and benefit agreements. This may affect the Company's ability to acquire within a reasonable time frame effective mineral titles or environmental permits in these jurisdictions, including in some parts of Canada in which Aboriginal title is claimed, and may affect the timetable and costs of development of mineral properties in these jurisdictions. The risk of unforeseen Indigenous Peoples' claims, or grievances also could affect existing operations as well as development projects and future acquisitions. These legal requirements and the risk of Indigenous

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Peoples' opposition may increase our operating costs and affect our ability to expand or transfer existing operations or to develop new projects.

Environmental risks and hazards

All phases of Karus Gold's exploration and mining operations are subject to environmental regulation in the jurisdictions in which they operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set out limitations on the generation, transportation, storage, and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will likely, in the future, require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the mining operations. Environmental hazards may exist on the properties which are unknown at present which have been caused by previous or existing owners or operators of the properties. Karus Gold may become liable for such environmental hazards caused by previous owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Commodity price risk

The price of Karus Gold's common shares, financial results and exploration, and development and mining activities in the future may be materially adversely affected by declines in the price of gold which fluctuates widely and are affected by numerous factors beyond Karus Gold's control.

No history of dividends

Karus Gold has not paid a dividend on the Karus Gold Shares since incorporation. Karus Gold intends to continue to retain earnings and other cash resources for its business. Any future determination to pay dividends will be at the discretion of the Karus Gold Board and will depend upon the capital requirements of Karus Gold, results of operations and such other factors as the Karus Gold Board considers relevant.

Competition

Karus Gold faces competition from a number of large established companies with greater financial and technical resources than Karus Gold. Karus Gold competes with these other mining companies for the recruitment and retention of qualified directors, professional management, employees, and contractors. There is also significant and increasing competition for a limited number of suitable properties and resource acquisition opportunities and, as a result, Karus Gold may be unable to acquire such mining properties which it desires on terms it considers acceptable.

Lack of availability of resources

Mining exploration requires ready access to mining equipment such as drills, and crews to operate that equipment. There can be no assurance that such resources will be available to Karus Gold on a timely basis or at a reasonable cost. Failure to obtain these resources when needed may result in delays in Karus Gold's exploration programs.

Key personnel

Recruiting and retaining qualified personnel is critical to Karus Gold's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As Karus Gold's business activity grows, it will require additional key financial, administrative, mining, marketing, and public relations personnel as well as additional staff on the operations side. Although Karus Gold believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

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Property commitments

The properties to be held by Karus Gold may be subject to various land payments, royalties and/or work commitments. Failure by Karus Gold to meet its payment obligations or otherwise fulfill its commitments under these agreements could result in the loss of related property interests.

Change in climate conditions

Governments are moving to introduce climate change legislation and treaties at the international, national, state/province and local levels. Regulation relating to emission levels (such as carbon taxes) and energy efficiency is becoming more stringent. If the current regulatory trend continues, Karus Gold expects that this will result in increased costs. In addition, physical risk of climate change may also have an adverse effect on Karus Gold's operations. These risks include: extreme weather events, and resource shortages due to disruption of equipment and supplies required on site. Karus Gold can provide no assurance that efforts to mitigate the risks of climate changes will be effective and that the physical risks of climate change will not have an adverse effect on its operations.

Additional financings may result in dilution

Karus Gold may require additional funds to further its activities and objectives. To obtain such funds, Karus Gold may issue additional securities, including Karus Gold Shares or securities convertible into or exchangeable for Karus Gold Shares. As a result, Karus Gold's shareholders could be substantially diluted. In addition, there can be no assurance that Karus Gold will be able to obtain sufficient financing in the future on terms favourable to Karus Gold or at all.

Other Information

Additional information related to the Company is available for viewing on the Company's website at www.karusgold.com.