



KARUS GOLD CORP.

Management's Discussion and Analysis

For the Year Ended December 31, 2022

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(Expressed in Canadian dollars unless otherwise stated)

The following Management's Discussion and Analysis ("MD&A"), prepared as of April 24, 2023, should be read together with the audited financial statements of Karus Gold Corp. ("Karus Gold" or the "Company") for the years ended December 31, 2022 and 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. ("KORE") 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 investors, Eric Sprott, who owns 25%, and Yamana Gold Inc. ("Yamana") who owns 6.3% 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.

Highlights

During the period from January 1, 2022, to the date of this MD&A, the Company accomplished the following:

- In January, 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.
- Settled \$52,500 of accrued management services fees through the issuance of 95,454 common shares and 47,727 share purchase warrants at an exercise price of \$0.85 per share expiring January 19, 2024.
- In February, 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, completed a \$2,000,000 strategic investment from Yamana through the issuance of 5,714,286 common shares with an option to invest a further \$3,000,000 at a price of \$0.50 per share (subject to minimum pricing requirements of the TSX Venture Exchange ("TSXV") or such other stock exchange on which the Company's common shares may get listed), exercisable at any time until March 25, 2025 (the "Yamana Option"). The investment included 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 Yamana exercising the additional \$3,000,000 investment and continuing to beneficially own or control not less than 5% of the Company. The investment by Yamana also includes price protection rights ("2022 Price

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Protection Right”) whereby the Company would automatically issue additional common shares to Yamana should the Company (prior to listing on a stock exchange) issues common shares to other subscribers at a price less than \$0.30 per share. As at the date of this MD&A, Yamana owns approximately 6.3% of the issued and outstanding common shares of the Company.

- In April, 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.
- Issued 301,055 common shares pursuant to 2021 Price Protection Right per the previously completed financing arrangements, which required the Company to issue additional common shares to these subscribers upon issuing new shares for a price less than \$0.55 per share. Such a requirement was triggered due to the \$2,000,000 investment by Yamana at \$0.35 per share, described above.
- In April, the Company announced the appointment of Anil Jiwani as CFO of the Company effective May 1, 2022.
- In May, the Company terminated its agreement on the White Gold Project, located in Yukon, Canada, to focus entirely on the projects in the South Cariboo Property.
- In May, the Company announced additional high-grade gold drill results, including 13.9 m of 3.01 g/t gold within broader interval of 74.3 m of 1.06 g/t gold.
- In June, Karus Gold submitted an updated draft listing application to the TSXV, which would allow Karus Gold common shares to be listed on the TSXV. The Company continues to pursue various avenues of getting its common shares publicly listed, including entering a letter of intent (“LOI”) and definitive binding agreement with Kenadyr Metals Corp. (“Kenadyr”) as described below.
- In June, Cathy McLay, a director of the Company resigned with immediate effect.
- In June, the Company filed an update 43-101 Technical Report for the South Cariboo Gold District, the highlights of which are presented below.
- In July, Karus Gold made the final \$42,500 payment to earn 100% interest in the TEP claims of the FG Gold project.
- In September, Andrew Kaip resigned as Karus Gold’s CEO. Michael Tucker, the Company’s Vice President, Exploration, continues to serve as the interim CEO.
- In October, Karus Gold made a payment of \$30,000 pursuant to its Hawk claims option agreement on the FG Gold project.
- In December, the Company entered into a definitive binding agreement with 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. The Proposed Transaction values Karus at \$19.7 million (including certain payables settled in Kenadyr Common Shares) and Kenadyr at \$1.1 million pre-Concurrent Financing (as defined below) and after various debt settlements. 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 consolidation Kenadyr Common Share for every ten (10) pre-consolidation 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 TSXV. The Proposed Transaction will be subject to customary closing conditions including Karus shareholder, court, and the TSXV approvals.

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Outlook

The Company's plan for the upcoming fiscal year is to continue advancing its South Cariboo Gold property and its efforts to be listed on the TSXV. Exploration activities are largely dependent on budgetary constraints. At a minimum, exploration activities required to keep claims in good standing will be completed. Budget depending, the company would like to complete further surficial exploration work on the south Cariboo property, exploratory geophysics and drilling. 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.

Michael Tucker, P.Geol., 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

Karus Gold controls 1,056 square kilometers of claims in its South Cariboo Gold property located in the prolific Cariboo Gold District in British Columbia. The claims host 110 km of structural trend that is highly prospective for gold deposits including the following projects.

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 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 over 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.

Detailed interpretation of the 2020 drill program at FG Gold identified 2 higher grade gold vein corridors down-dip 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

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- 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. In May 2022, Karus released the results from a further 9 diamond drill holes from FG Gold with FG-21-402 confirming the continuity of Vein Corridor 1 gold mineralization and returning 74.3 m of 1.06 g/t gold, including 13.9 m of 3.01 g/t gold.

Table of Significant Drill Results

Drill Hole	Zone	From (m)	To (m)	Length ^{1,2} (m)	Gold Grade ³ (g/t)
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
FG-21-396	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	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
FG-21-402	Corridor 1	201.5	275.8	74.3	1.06
incl.	Corridor 1	202.75	216.65	13.9	3.01
FG-21-392		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	218.17	243.19	25.02	1.14
incl.		230.16	237.31	7.15	2.88
FG-21-400	Corridor 1	186.5	191.15	4.65	2.06
FG-21-400		212.4	271.75	59.35	1.13
incl.		221.63	239.5	17.87	2.23
FG-21-404	Corridor 3	330	338.65	8.65	3.17
FG-21-404	Corridor 3	347.1	396	48.9	0.99
incl.		375.9	395.1	19.2	1.7
incl.		375.9	382.1	6.2	2.98
FG-21-406	Corridor 1	198.7	314.9	116.2	0.62
incl.		269.4	274.7	5.3	2.3
incl.		303.65	314.9	11.25	1.16

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Drill Hole	Zone	From (m)	To (m)	Length ^{1,2} (m)	Gold Grade ³ (g/t)
FG-21-408	Corridor 1	310.94	317.75	6.81	1.67
FG-21-409	Corridor 1	235.2	246.23	11.03	1.04
incl.		237	243	6	1.48

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.

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.

Drilling by KORE 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 drilled five holes totaling 1,530 m. 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. 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. Gold mineralization at the Camp Zone lies

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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to the northwest and along the 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).

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 g/t gold over 46.4 m within a broader envelope of gold mineralization of 0.49 g/t gold over 80.65 m. The Gold Creek program successfully confirmed the orientation and trend of the gold bearing horizon at the Camp Zone. The same mineralized horizon has now been traced for over 1,000 m of strike length, and depths up to 250 m down-dip. The system continues to demonstrate robust scale potential.

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.

Options in the South Cariboo Gold Project, British Columbia, Canada

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 required total exploration expenditures of \$75,000 during 2021 and 2022, combined (completed). 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.

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 value of \$50,000 during the year ended December 31, 2021.

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During the year ended December 31, 2022, the Company made a cash payment of \$72,500 pursuant to certain option agreements. Additional cash payment of \$50,000 and \$50,000 in common 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. As of the date of this MD&A, 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 cash payments of \$465,000 and issue common shares with fair market value of \$385,000 until 2025.

Exploration & Evaluation Expenses

Following is a summary of exploration and evaluation expenses for the South Cariboo Gold Project during the current fiscal year and its comparative period:

	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

Results of Operations

For the year ended December 31, 2022 ("the Current Year") compared to the year ended December 31, 2021 ("Comparative Year")

The Company incurred a net loss during the year ended December 31, 2022, of \$1,919,936 compared to \$6,141,766 during the year ended December 31, 2021, a decrease of \$4,221,830. This lower loss was primarily attributable to the decrease in exploration and evaluation expenses as highlighted above which reduced the overall expenditures by \$3,669,687. During the Current Year, the Company's focus was on analyzing the data from the drilling activities conducted during 2021 and to work towards listing its common shares on the TSXV. As a result, the Company's marketing, advisory and investor relations expenses also decreased (2022 - \$82,726; 2021 - \$315,729). The Company's (non-cash) share-based payments were also lower (2022 - \$328,241; 2021 - \$737,106) due to no new grants of incentive stock options or restricted stock units during the Current Year as well as the forfeiture of previously granted stock options. The management fees and wages were reduced (2022 - \$243,295; 2021- \$418,748) due to resignations. However, professional fees were higher (2022 - \$403,453; 2021- \$256,172) due to the Company's listing efforts.

All other costs of the Company remained relatively consistent during these two years.

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For the three months ended December 31, 2022 (the "Current Quarter") compared to the three months ended December 31, 2021 ("Comparative Quarter")

The Company incurred a net loss during the three months ended December 31, 2022, of \$184,284 compared to \$815,844 during the three months ended December 31, 2021, a decrease of \$631,560. This lower loss was primarily attributable to the decrease in exploration and evaluation expenses as highlighted above which reduced the overall expenditures by \$295,563. The Company's marketing, advisory and investor relations expenses also decreased (2022 – \$8,424; 2021 - \$31,023), due to changing the focus of the Company's activities, as described above. The Company's (non-cash) share-based payments were also lower (2022 - \$13,414; 2021 - \$218,550) due to no new grants of incentive stock options or restricted stock units during the Current Quarter as well as the forfeiture of previously granted stock options. The management fees and wages were reduced (2022 - \$Nil; 2021- \$92,323) due to resignations.

All other costs of the Company remained relatively consistent during these two periods.

Summary of Quarterly Results

The following table shows selected quarterly financial information for each of the last eight quarters:

	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21
Net loss	\$(184,284)	\$(358,144)	\$(617,517)	\$(759,991)	\$(815,844)	\$(3,473,301)	\$(1,257,722)	\$(594,899)
Basic & diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.02)	\$ (0.01)

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Item	For the year ended December 31, 2022	For the year ended December 31, 2021	Period from incorporation on November 20, 2020 to December 31, 2020
Net loss	\$ (1,919,936)	\$ (6,141,766)	\$ -
Basic & diluted loss per share	\$ (0.02)	\$ (0.08)	\$ -
Total assets	\$ 11,850,824	\$ 11,763,155	\$ 1

Liquidity, Capital Resources and Going Concern

The financial statements of the Company 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 it has 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 that may be unable to continue operations.

As at December 31, 2022, the Company had a cash balance of \$615,109 and working capital of \$229,589 with current liabilities of \$412,259. The Company has incurred losses since inception and does not generate any cash inflows from operations. For the year ended December 31, 2022, the Company used cash flows in operations of \$1,937,126 (2021 - \$4,945,222) and raised \$2,000,000 from a private placement.

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During the year ended December 31, 2022, the Company raised \$2,000,000 through a strategic investment from Yamana, as noted above. 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 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 Company's 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, 2022, was \$1,937,126, compared to \$4,945,222 during the year ended December 31, 2021. The decrease in cash used in operating activities was primarily related to the decrease in the company's exploration activities as highlighted in the table above and a decrease in the marketing activities as explained in the results of operations section.

Cash Provided by Financing Activities

Net cash provided by financing activities during the year ended December 31, 2022, was \$2,000,000 compared to \$6,015,129 during the year ended December 31, 2021. The financing during the Current Year pertained to the strategic investment by Yamana, as noted above. The financing activities during the Comparative Year 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, 2022, was \$80,726, which consisted of \$8,226 pertaining to additional claims staked by the Company on the South Cariboo Gold Project as well as option payments of \$72,500 on the Hawk and TEP claims of its FG Gold project. During the year ended December 31, 2021, net cash used in investing activities was \$436,947. This amount consists of the transaction costs incurred in the Spinout which were ultimately allocated to the acquired exploration and evaluation assets 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. As of the date of this MD&A, the following common shares, share purchase warrants and options were outstanding:

	Number of equity instruments	Exercise price	Expiry date
Issued & outstanding shares	90,910,108		
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	2,950,000	\$ 0.25	March 7, 2026
Restricted share units	2,605,000	-	-
Fully Diluted, April 24, 2023	97,882,691		

In addition, as of the date of this MD&A, there are 827,909 common shares included in the issued and outstanding common shares that are subject to a price protection 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 common shares

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at a price less than \$0.35 per share ("Lower Per Share Price"). The number of common 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 common shares issued at the original price of \$0.55 per share and additional common shares issued at the \$0.35 per share. As of the date of this MD&A, there are also 5,714,286 common shares issued to Yamana that are subject to a price protection clause whereby the Company will automatically issue additional common shares to Yamana 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 share ("Yamana Lower Per Share Price"). The number of common shares to be issued will equal the difference between the \$2,000,000 investment by Yamana divided by the Yamana Lower Per Share Price and the 5,714,286 common shares issued to Yamana at the original price of \$0.35 per share.

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, 2022, the Company had working capital of \$229,589 but does not have any long term monetary liabilities. The Company will seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. The Company's approach to managing liquidity risk is to endeavor to ensure that it will have sufficient liquidity to meet liabilities when they fall due. 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 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**

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, amounts receivable, deposits, and trade and other accounts payable approximate fair values due to their short-term to maturity nature.

Related Party Transactions

The Company shares office space and personnel with KORE Mining Ltd. (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

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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 & Vice-President Exploration, Chief Financial Officer, and Directors.

	Year ended December 31, 2022	Year ended 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.

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 and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors believed to be reasonable under the circumstances and result in judgments about the carrying value of assets and liabilities. Actual results could differ from these estimates.

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

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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. 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*.

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. 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.

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.

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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.

Cautionary Note Regarding Forward Looking Statements

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

It is important to note that:

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

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

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.

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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.

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.

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

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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.

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 titles 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. 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 Declarations on the Rights of Indigenous Peoples ("UNDRIP") 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 Peoples' opposition may increase our operating costs and affect our ability to expand or transfer existing operations or to develop new projects. On October 25, 2021, the Gixtaaxla

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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 UNDRIP, which the province has committed to implement. A decision by the British Columbia Supreme Court on the Gixtaaxla First Nation petition is pending and may affect Karus Gold's existing properties as well as future acquisitions.

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 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.

Uncertainty of mineral resource estimates

Mineral resource figures are only estimates. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. While Karus Gold believes that the mineral resource estimates included are established and reflect management's best estimates, the estimating of mineral resources is a subjective process and the accuracy of mineral resource estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used, and judgments made in interpreting available engineering and geological information. There is significant uncertainty in any mineral resource estimate and the actual deposits encountered and the economic viability of a deposit may differ materially from Karus Gold's estimates. Estimated mineral resources may have to be re-estimated based on changes in gold prices, copper prices, further exploration or development activity or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence mineral resource estimates. Mineral resources are not mineral reserves and there is no assurance that any mineral resource estimate will ultimately be reclassified as proven or probable mineral reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

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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.

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, the 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 change 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 common shares or securities convertible into or exchangeable for Karus Gold common 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.