



KARUS GOLD CORP.

Condensed Interim Financial Statements

June 30, 2023

(Unaudited – Prepared by Management)

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

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

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

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

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

As at	Note	June 30, 2023	December 31, 2022
		\$	\$
Assets			
Current assets			
Cash		220,434	615,109
Amounts receivable	4	989,370	9,619
Advances and prepaid expenses		1,810	17,120
		1,211,614	641,848
Non-current assets			
Deferred acquisition costs	3	-	95,813
Deposits		106,288	121,288
Equipment		4,273	9,132
Mineral properties	4	10,922,743	10,982,743
Total assets		12,244,918	11,850,824
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	259,665	412,259
Total liabilities		259,665	412,259
Shareholders' equity			
Share capital	5	17,498,247	17,498,247
Share-based reserves	5	2,048,544	2,002,020
Deficit		(7,561,538)	(8,061,702)
Total shareholders' equity		11,985,253	11,438,565
Total liabilities and shareholders' equity		12,244,918	11,850,824
Nature of operations & going concern	1		
Subsequent events	3 and 8		

Approved by the Board of Directors:

“David Whittle”
Director

“Scott Trebilcock”
Director

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

		For the three months ended	For the three months ended	For the six months ended	For the six months ended
	Note	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
		\$	\$	\$	\$
Expenses					
Depreciation		1,061	1,799	2,438	3,598
Exploration and evaluation expenses	4	(964,459)	194,669	(939,003)	493,297
General and administration		25,312	85,381	58,937	147,634
Management fees and wages	6	39,000	99,808	78,000	197,045
Marketing, advisory and investor relations		1,585	21,513	6,015	61,747
Professional fees	3	156,883	147,820	184,504	231,376
Share-based payments	5	-	66,527	46,524	242,811
Net income (loss) before other items		740,618	(617,517)	562,584	(1,377,508)
Other items					
Write off exploration and evaluation asset	4	(60,000)	-	(60,000)	-
Loss on fixed assets disposal		(2,421)	-	(2,421)	-
Net income (loss) and comprehensive income (loss) for the period		678,197	(617,517)	500,164	(1,377,508)
Basic and fully diluted income (loss) per common share					
		0.01	(0.01)	0.01	(0.02)
Weighted average number of common shares outstanding - basic and diluted					
		90,910,108	90,900,073	90,910,108	85,082,171

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

	For the six months ended June 30, 2023	For the six months ended June 30, 2022
	\$	\$
OPERATING ACTIVITIES		
Net income (loss) for the period	500,164	(1,377,508)
Items not involving cash:		
Depreciation	2,438	3,598
Write off exploration and evaluation asset	60,000	3,598
Loss on fixed assets disposal	2,421	3,598
Share-based payments	46,524	242,811
Changes in non-cash working capital items:		
Amounts receivable	(979,751)	10,643
Prepaid expenses and advances	15,310	29,738
Deposits	15,000	(909)
Accounts payable and accrued liabilities	(152,594)	(265,823)
Deferred acquisition costs	95,813	-
Cash used in operating activities	(394,675)	(1,350,254)
INVESTING ACTIVITIES		
Mineral property interests	-	(8,226)
Cash used in investing activities	-	(8,226)
FINANCING ACTIVITIES		
Shares and warrants issued for cash	-	2,000,000
Cash provided by financing activities	-	2,000,000
Change in cash	(394,675)	641,520
Cash at beginning of the period	615,109	632,961
Cash at end of the period	220,434	1,274,481
Supplemental cash flow information:		
Interest received in cash	1,377	159.00
Non-cash investing and financing activities:		
Units issued for debt	-	52,500

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

	Common Shares		Shares to be Issued	Share-based reserves	Deficit	Total Equity
	Number	Amount \$				
December 31, 2021	84,799,313	16,191,819	-	927,707	(6,141,766)	10,977,760
Units issued for debt	95,454	43,356	-	9,144	-	52,500
Shares issued for private placements	5,714,286	1,263,072	-	736,928	-	2,000,000
Shares to be issued pursuant to price protection provision	-	(105,371)	105,371	-	-	-
Share-based payments net of forfeitures	-	-	-	242,811	-	242,811
Net loss for the period	-	-	-	-	(1,377,508)	(1,377,508)
June 30, 2022	90,609,053	17,392,876	105,371	1,916,590	(7,519,274)	11,895,563
December 31, 2022	90,910,108	17,498,247	-	2,002,020	(8,061,702)	11,438,565
Share-based payments	-	-	-	46,524	-	46,524
Net income for the period	-	-	-	-	500,164	500,164
June 30, 2023	90,910,108	17,498,247	-	2,048,544	(7,561,538)	11,985,253

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****June 30, 2023***(Unaudited – Prepared by Management)**(Expressed in Canadian dollars unless otherwise stated)*

1. NATURE OF OPERATIONS AND GOING CONCERN

Karus Gold Corp. (“Karus” or the “Company”) was incorporated under the Business Corporations Act (British Columbia) (“BCBCA”) on November 20, 2020, under the name 1275702 B.C. Ltd. and subsequently changed its name to Karus Gold Corp. on December 11, 2020. The Company was incorporated as the target company for certain assets and liabilities spun out from KORE Mining Ltd. (“KORE”). On January 25, 2021, KORE completed a plan of arrangement pursuant to which KORE transferred to the Company all of KORE’s Canadian exploration properties, which included the FG Gold and Gold Creek projects in the South Cariboo property, as well as its Yukon property and related equipment and exploration deposits, in exchange for 53,112,455 shares of the Company, which were distributed to KORE shareholders on the basis of one common share of the Company for every two KORE shares held. The Company’s registered office is located at 25th floor, 700 W Georgia Street, Vancouver, BC, V7Y 1B3.

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

As at June 30, 2023, the Company had an accumulated deficit of \$7,561,538. For the six months ended June 30, 2023, the Company had no revenues, had a net income of \$500,164, and used cash flows in operations of \$394,675.

The Company’s ability to continue to operate and to carry out its planned exploration activities for the next twelve months is uncertain and dependent upon the continued financial support of its shareholders and on securing additional financing. The Company also continues to work towards its listing on a public stock exchange (see Note 3, Arrangement Agreement). There is no assurance that any such initiatives will be sufficient and, as a result, this gives rise to a material uncertainty that may cast significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

2. BASIS OF PRESENTATION

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) as applicable to interim financial reports, including International Accounting Standard 34, “Interim Financial Reporting”. These financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS. The accounting policies adopted are consistent with those of the previous financial year.

These unaudited condensed interim financial statements have been authorized for issue by the Board of Directors of the Company on August 23, 2023.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****June 30, 2023***(Unaudited – Prepared by Management)**(Expressed in Canadian dollars unless otherwise stated)*

Basis of Measurement

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

Significant Accounting Estimates and Judgments

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and other factors believed to be reasonable under the circumstances and result in judgments about the carrying value of assets and liabilities. Actual results could differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were consistent with those applied to the annual audited financial statements for the year ended December 31, 2022.

3. MERGER AND ACQUISITIONS

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

As a condition of the Kenadyr Proposed Transaction, Kenadyr was to 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 (the "Concurrent Financing"). In addition, Kenadyr intended 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.

In July 2023, the Arrangement Agreement was mutually terminated (the "Arrangement Agreement") as the condition of the Concurrent Financing could not be fulfilled.

Up to June 30, 2023, the Company had recognized deferred transaction costs, consisting of professional fees, related to the Kenadyr Proposed Transaction in the amount of \$131,036. Due to the termination of the Arrangement Agreement these deferred transaction costs capitalized on the statement of financial position were written off to the professional fees in the statement of income (loss) and comprehensive income (loss).

Subsequent to the period end, on August 13, 2023, the Company signed a binding Letter of Intent to acquire 100% of the issued and outstanding common shares (the "Theia Common Shares") of Theia Gold Corp. ("Theia"), a private British Columbia incorporated company, by way of a business combination transaction that will result in the reverse takeover of Karus by Theia (the "Theia Proposed Transaction").

Pursuant to the Theia Proposed Transaction, all outstanding Theia Common Shares will be exchanged for common shares of Karus which, upon completion of the Theia Proposed Transaction, will result in the present holders of Theia Common Shares holding 21,141,883 common shares of the Company, or approximately 69.93% of the outstanding common shares of Karus on a non-diluted basis, and the existing shareholders of the Company holding 9,091,010, or approximately 30.07%

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****June 30, 2023***(Unaudited – Prepared by Management)**(Expressed in Canadian dollars unless otherwise stated)*

of the outstanding common shares of the Company on a non-diluted basis. It is anticipated that the Theia Proposed Transaction will be completed as a three-cornered amalgamation under the laws of British Columbia.

The main property of Theia is the Mineral Creek gold exploration project (“Mineral Creek Property”).

Completion of the Theia Proposed Transaction is subject to a number of conditions, including but not limited to, receipt of all required approvals, including Exchange approval of the listing, approval by the shareholders of both companies, satisfactory diligence by both Karus and Theia, preparation and delivery of a technical report covering the Mineral Creek Property, a waiver of rights of a shareholder to receive anti-dilution shares, title opinions and certain other conditions. There can be no assurance that the Theia Proposed Transaction will be completed as proposed or at all.

4. MINERAL PROPERTIES

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

	South Cariboo Region \$
Balance, December 31, 2022	10,982,743
Write off exploration and evaluation asset	(60,000)
Balance, June 30, 2023	10,922,743

South Cariboo Property

The Company holds a collection of claims in British Columbia comprising the South Cariboo property, which includes the ‘FG Gold project’ and the ‘Gold Creek project’, located in the Cariboo Mining Division, British Columbia, Canada.

Options in the South Cariboo Gold Project

As part of the 1,056 square kilometers land holdings in the South Cariboo Gold project, the Company is subject to certain mineral property agreements, including certain option agreements to acquire nearby and contiguous properties. These mineral property agreements are not part of the FG Gold or Gold Creek projects and are greenfield gold exploration projects named HEN, Hawk, and TEP claims (the “Greenfield Claims Options”).

The Company had capitalized a total cost of \$170,000 for these Greenfield Claims Options, in combination of cash payments and issuance of the Company’s common shares. During July 2023, the Board of Directors of the Company decided to discontinue Karus’ option to acquire the HEN claim and as a result, the Company wrote off the related capitalized cost of \$60,000 during the six months ended June 30, 2023. As at June 30, 2023, the total capitalized cost for the Greenfield Claims Options, a combination of previous cash payments and issuance of the Company’s common shares, was \$110,000, split between the Hawk \$60,000 and the TEP \$50,000 claims.

The TEP claim option is fully exercised by Karus and imposes a bonus payment on the Company of \$1.50 per ounce identified as inferred, indicated, or measured in a 43-101 report. The TEP claim option includes a 2% net smelter returns royalty (“NSR”), of which 1% can be repurchased at any time prior to commercial production for \$500,000.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****June 30, 2023***(Unaudited – Prepared by Management)**(Expressed in Canadian dollars unless otherwise stated)*

The Hawk claim option includes a 1% NSR, of which 0.5% can be repurchased at any time prior to commercial production for \$500,000.

As at June 30, 2023, if the Company were to exercise its option on the Hawk claim, it would be required to make future cash payments of \$90,000 until 2024, as follows:

	2023	2024	Total
Cash payments	40,000	50,000	90,000

Exploration and evaluation expenses

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

	For the three months ended June 30, 2023	For the three months ended June 30, 2022	For the six months ended June 30, 2023	For the six months ended June 30, 2022
	\$	\$	\$	\$
Assay and sampling	-	21,512	5,698	146,188
Claim, staking, holding and taxes	-	863	-	863
Community engagement	-	15,000	-	15,000
Project general and administrative	10,738	13,779	20,401	45,720
Project staff and contractors	10,095	134,849	20,189	276,812
Travel, logistics and camp costs	-	8,665	-	8,714
Recoveries	(985,291)	-	(985,291)	-
	(964,459)	194,669	(939,003)	493,297

The Company is eligible for British Columbia Mining Exploration Tax Credit (“BCMETS”) on qualifying exploration expenditures of up to 30%. The Company’s claim for the BCMETS for exploration expenditures incurred during the year ended December 31, 2021, was approved by the Canada Revenue Agency (the “CRA”). On July 4, 2023, the Company received \$985,291 for its BCMETS claim. This amount was recognized as receivable as at June 30, 2023.

5. SHARE CAPITAL**Authorized**

Unlimited number of common shares with no par value.

Issued and Outstanding

As at June 30, 2023, there were 90,910,108 (December 31, 2022 – 90,910,108) common shares outstanding.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****June 30, 2023***(Unaudited – Prepared by Management)**(Expressed in Canadian dollars unless otherwise stated)***Warrants**

As at June 30, 2023, and December 31, 2022, the following warrants were outstanding:

Expiry date	Number of warrants outstanding	Exercise price	\$
September 2, 2023	788,475	\$	0.85
September 10, 2023	365,681	\$	0.85
December 2, 2023	17,500	\$	0.85
December 21, 2023	123,200	\$	0.85
December 23, 2023	75,000	\$	0.85
January 19, 2024	47,727	\$	0.85
	1,417,583	\$	0.85

Stock Options

Pursuant to a rolling stock option plan (the “Option Plan”) for directors, officers, employees, and consultants, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares, with the exercise price to be determined on the date of issuance of the options. The term of options granted under the Option Plan may not exceed five years and such options vest at terms to be determined by the board of directors at the time of the grant, but the exercise price shall not be less than the price determined by the policies of the stock exchange on which the Company’s common shares are then listed.

As at June 30, 2023, and December 31, 2022, the following incentive stock options, were outstanding and exercisable:

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

During 2022, the Company received \$2,000,000 from a strategic investment by Yamana Gold Inc. (“Yamana”) in exchange for 5,714,286 common shares of the Company and an option for Yamana to invest a further \$3,000,000 at a price of \$0.50 per share, exercisable at any time until March 25, 2025 (“Yamana Option”). As at June 30, 2023, Yamana Option was also outstanding and exercisable.

Restricted Share Units (“RSUs”)

Pursuant to the fixed Omnibus Plan (“Omnibus Plan”), the Company may reserve for issuance a maximum of 5,303,746 common shares as equity-based compensation awards. Together with the 10% rolling stock option plan, only a maximum of 10% of instruments under the Omnibus Plan and Option Plan may be granted to insiders. Awards under the Omnibus Plan may be granted in a form as designated by the Board, including restricted share units, deferred share units and other performance-based instruments.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****June 30, 2023***(Unaudited – Prepared by Management)**(Expressed in Canadian dollars unless otherwise stated)*

As at June 30, 2023, and December 31, 2022, the following RSUs were outstanding and exercisable:

Grant date	Number of RSUs outstanding	Number of RSUs exercisable
March 8, 2021	2,605,000	2,605,000
	2,605,000	2,605,000

The RSUs granted are payable in common shares of the Company, vest in tranches over two years and are valid for a term of five years.

Share-based Compensation

During the three and six months ended June 30, 2023, the Company did not grant any stock options or RSUs, however recognized \$Nil and \$46,524 (2022 - \$66,527 and \$242,811) respectively as share-based payments expense net of forfeitures in relation to the vesting of the previously granted stock options and RSUs, due to the graded vesting of these instruments.

6. RELATED PARTY TRANSACTIONS**Related Party Transactions**

The Company shared office space and the related cost with KORE until May 31, 2023, when the office lease was terminated. During the three and six months ended June 30, 2023, such administrative transactions with KORE amounted to \$10,738 and \$26,312 (2022 - \$5,386 and \$29,327) respectively. As at June 30, 2023, the amount owing to KORE was \$62,267 (December 31, 2022 - \$200,955), which is recorded in accounts payable and accrued liabilities. Karus settled the entire amount owing to KORE in July 2023.

During 2022 the Company entered into a consulting agreement with the Chief Financial Officer ("CFO") of the Company for a monthly fee of \$8,500 through Avisar Everyday Solutions Ltd. ("Avisar"), a company where the CFO is a director and an officer, to provide accounting related services to the Company. During the three and six months ended June 30, 2023, the Company incurred \$25,500 and \$51,000 (2022 - \$17,000) respectively in professional fees to Avisar. As at June 30, 2023, the total amount owing to Avisar was \$9,240 (December 31, 2022 - \$Nil), which is recorded in accounts payable and accrued liabilities, is unsecured, non-interest bearing and due on demand.

Key Management Compensation

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

	For the three months ended June 30, 2023	For the three months ended June 30, 2022	For the six months ended June 30, 2023	For the six months ended June 30, 2022
	\$	\$	\$	\$
Management fees and salaries	39,000	75,917	78,000	161,167
Share-based compensation net of forfeitures	-	51,742	25,970	179,108
Total	39,000	127,659	103,970	340,275

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****June 30, 2023***(Unaudited – Prepared by Management)**(Expressed in Canadian dollars unless otherwise stated)*

As at June 30, 2023, and December 31, 2022, a total of \$8,853 was payable to a director of the Company for previous services. The amount owing is unsecured, non-interest bearing and due on demand.

During the six months ended June 30, 2022, the Company settled \$52,500 for previous management fees through the issuance of units.

7. RISK MANAGEMENT**Financial Risk Management**

The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

a. Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and amounts receivable.

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. Amounts receivable primarily includes \$985,291 from the CRA in connection with the Company's BCMETC claim, which was received subsequent to the period end (Note 4).

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 June 30, 2023, the Company had a working capital of \$951,949. The Company is an exploration stage entity and as a result, does not yet generate any revenue. Karus will seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. The Company's approach to managing liquidity risk is to endeavor to ensure that it will have sufficient liquidity to meet liabilities when they fall due. The Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

c. Interest Rate Risk

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

d. Foreign Currency Risk

As at June 30, 2023, the Company has certain monetary items denominated in United States dollars. Based on these net exposures, a 10% appreciation or depreciation of the Canadian dollar against the United States dollar would result in an increase or decrease of \$737 in the Company's net loss.

Fair Values

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

KARUS GOLD CORP.

Notes to the Condensed Interim Financial Statements

June 30, 2023

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars unless otherwise stated)

8. SUBSEQUENT EVENT

On August 3, 2023, the Company granted 2,250,000 restricted share units to certain directors of the Company pursuant to the omnibus incentive plan. Half of the restricted share units vest on the grant date and the balance will vest on six months from the grant date.