



**KARUS GOLD CORP.**

**Management's Discussion and Analysis**

**March 31, 2022**

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**March 31, 2022**

*(Expressed in Canadian dollars unless otherwise stated)*

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*The following Management's Discussion and Analysis ("MD&A"), prepared as of May 26, 2022, should be read together with the unaudited interim financial statements of Karus Gold Corp. ("Karus Gold" or the "Company") for the three months ended March 31, 2022 and related notes thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. 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 investor, Eric Sprott, who owns 25% of Karus Gold as of the date of this MD&A. Karus Gold's two key exploration stage projects included in its South Cariboo holdings are:

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

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

**2022 Q1 Highlights**

During the three months ended March 31, 2022, the Company accomplished the following:

- In January 2022, announced the results from the 2021 drill program at Gold Creek, including hole GC-21-049 that returned 0.74 grams per tonne ("g/t") gold over 46.4 m within a broader envelope of gold mineralization of 0.49 g/t gold over 80.65 m.
- Appointed Joe Ovsenek and Cathy McLay as independent directors of the Company, strengthening the governance and building Karus Gold into a leading BC Gold explorer.
- In February 2022, announced results from the first 6 diamond drill holes at FG Gold, including 6.5 m of 9.55 g/t gold within a broader interval of 35.4 m of 2.94 g/t gold confirming the presence of new high grade gold corridors below historical drilling at FG Gold.
- In March 2022, completed a \$2,000,000 strategic investment from Yamana Gold Inc. ("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 or such other stock exchange on which the Company's common shares may get listed), exercisable at any time until March 28, 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 ("Yamana Price Protection Rights") whereby the Company would automatically issue additional common shares should the Company (prior to listing on a stock exchange) issues common shares

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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.

- Settled \$52,500 of accrued management services fees through the issuance of 95,454 common shares and 47,727 warrants at an exercise price of \$0.85 per common share expiring January 19, 2024.

Subsequent to March 31, 2022, the Company completed the following:

- In April 2022, the Company announced results from a further 5 diamond drill holes at FG Gold, including 17.87 m of 2.23 g/t gold within a broader interval of 59.35 m of 1.13 g/t gold.
- Issued 301,055 common shares pursuant to price protection rights 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 requirement was triggered due to the \$2,000,000 investment by Yamana at \$0.35 per share, described above.
- In April 2022, announced the appointment of Anil Jiwani as CFO of the Company effective May 1, 2022.
- In May 2022, 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.

### **Outlook**

The Company's plan for 2022 will be continued exploration of its South Cariboo Gold property including drilling at both FG Gold and Gold Creek in the summer of 2022 and completing the Company's public listing on the TSXV. In addition to the exploration at these projects, the Company may evaluate other prospects worthy of exploration and development. The ability of the Company to do so is contingent upon its ongoing ability to raise the capital necessary to advance such prospects.

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

### ***Project Summaries***

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

##### *Project Overview*

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

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

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

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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
  - 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.

**Table of Significant Drill Results**

<b>Drill Hole</b>	<b>Zone</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Length<sup>1,2</sup> (m)</b>	<b>Gold Grade<sup>3</sup> (g/t)</b>
FG-21-391		245.5	249.14	3.64	0.77
FG-21-393	Corridor 1	218.1	273.5	55.4	0.63
incl.				4.5	2.00
FG-21-394	New	126.9	135.3	8.4	1.55
and	New	217.5	229.4	11.9	1.55
and	Corridor 1	242	269.6	27.6	0.57
and	New	277.5	340.8	63.3	0.58
FG-21-396		128.45	134	5.55	0.83
and	Corridor 1	216	222.5	6.5	1.95
and	Corridor 1	232	241.5	9.5	2.53
FG-21-398	New	216	232.2	16.2	1.8
and	Corridor 1	241	258.8	17.8	0.69
and	Corridor 1	267.1	301.4	34.3	0.51
FG-21-401 <sup>4</sup>	Corridor 1	248	283.4	35.4	2.94
incl.		248	254.5	6.5	9.55

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<b>Drill Hole</b>	<b>Zone</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Length<sup>1,2</sup> (m)</b>	<b>Gold Grade<sup>3</sup> (g/t)</b>
<b>incl.</b>		<b>249.3</b>	<b>250.9</b>	<b>1.6</b>	<b>27.1</b>
FG-21-392	Corridor 1	174	234.7	60.7	0.43
incl.		174	183.9	9.9	0.68
incl.		193	198.2	5.2	1.94
FG-21-395	Corridor 1	209.1	247.5	38.4	0.84
incl.		229.5	237.4	7.9	2.81
FG-21-397	Corridor 1	178.28	182.55	4.27	1.33
FG-21-397		195	201.65	6.65	0.6
FG-21-397		218.17	243.19	25.02	1.14
incl.		230.16	237.31	7.15	2.88
FG-21-397		255.9	271.38	15.48	0.68
FG-21-400	Corridor 1	173.5	191.15	17.65	0.74
inc.		186.5	191.15	4.65	2.06
FG-21-400		212.4	271.75	59.35	1.13
inc.		221.63	239.5	17.87	2.23
FG-21-403	Corridor 1	207	210.35	3.35	1.66
FG-21-403		219.95	231.15	11.2	0.45
FG-21-403		248.5	255.9	7.4	0.93
FG-21-403		284.3	287	2.7	1.37

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

As part of the FG Gold land holdings, the Company is subject to certain mineral property agreements, including certain option agreements to acquire nearby and contiguous properties. The option agreements collectively have annual payments ranging from \$87,500 payable in 2021 up to \$150,000 in 2025, for total option payments of \$625,000 during

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

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this period. In addition, one option agreement provides for the issuance of common shares of the Company with a fair market value at the time of issuance ranging from \$25,000 in 2021 increasing to \$160,000 in 2025, for total share consideration of \$410,000 during this period. One option agreement also requires total exploration expenditures of \$75,000 during 2021 and 2022, combined. These option agreements also impose a 1%-2% net smelter returns royalty ("NSR"), of which a portion can be repurchased in certain cases, and one agreement requires a bonus payment of \$1.50 per ounce identified as inferred, indicated or measured in a 43-101 report on the specific claims in the agreement.

During the year ended December 31, 2021, the Company issued 90,909 shares pursuant to an option agreement with 2021 obligations of a cash payment of \$25,000 and a share issuance with a value of \$25,000. The 90,909 shares were issued as full settlement of the 2021 obligations pursuant to this option agreement. As of March 31, 2022, if the Company were to exercise its option pursuant to these agreements, it will be required to make cash payments of \$537,500 and issue shares with fair market value of \$385,000 until 2025. Of this total, cash payments of \$122,500 and common shares to be issued worth \$50,000 would be required during fiscal 2022.

**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 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.

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

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.

**Exploration & Evaluation Expenses**

Following is a summary of exploration and evaluation expenses for the South Cariboo Gold Project for the three months ended March 31, 2022 and 2021:

	For the three months ended March 31, 2022	For the three months ended March 31, 2021
	\$	\$
Assays and analysis	124,676	207,967
Community engagement	-	6,383
Drill program	-	4,953
Engineering and development	-	6,678
Geophysics and ground prospecting	-	1,608
Project general & admin	31,941	3,916
Project staff & contractors	141,962	68,125
Travel, logistics & camp costs	49	8,358
	298,628	307,988

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

The Company incurred a net loss during the three months ended March 31, 2022 of \$759,991, compared to \$594,899 during the three months ended March 31, 2021, an increase in loss of \$165,092. This increase was primarily attributable to the non-cash share-based payments due to the recognition of the fair value of the stock options granted during fiscal 2021 as an expense, on a graded vesting basis. Total share-based payments were higher during the Current Quarter by \$110,385.

Karus Gold's cash cost of operations (obtained by adding back depreciation and share-based payments to the cost as presented in its statement of loss and comprehensive loss) increased during the three months ended March 31, 2022 by \$53,758 compared to the three months ended March 31, 2021 (2022 - \$581,908; 2021 - \$528,150). Of this, the cost of the Company's exploration related activities was \$298,628 and \$307,988 during the Current Quarter and the Comparative Quarter, respectively, as highlighted in the table above. Other operational costs increased primarily as a result of higher management compensation during the Current Quarter of \$97,237 (2021 - \$58,213) due to the Company strengthening its leadership team during Q2 2021. The Company's general and administrative costs were also higher due to a full quarter's activity compared to only a partial period after the spin off of the assets from Kore during the first quarter of 2021. These administrative costs were higher by \$36,112 (2022 - \$62,253; 2021 - \$26,141). All other costs for the Company remained relative consistent across the two periods.

**Summary of Quarterly Results**

The Company commenced operations during 2021, as a result of the completion of the spinout from KORE. Accordingly, there is no quarterly information to present prior to Q1 2021.

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

**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 and may be unable to continue operations. The Company will seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all.

As at March 31, 2022, the Company had a cash balance of \$2,232,701 and working capital of \$1,400,778 with current liabilities of \$916,334. The Company has incurred losses since inception and does not generate any cash inflows from operations. For the three months ended March 31, 2022, the Company used cash flows in operations of \$392,034. During the period, 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



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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 three months ended March 31, 2022 was \$392,034, compared to \$252,876 during the three months ended March 31, 2021. Cash used in operating activities primarily related to the Company's exploration activities, as highlighted in the table above.

**Cash Provided by Financing Activities**

Net cash provided by financing activities during the three months ended March 31, 2022 was \$2,000,000 compared to \$4,508,420 during the three months ended March 31, 2021. The Current Quarter financing pertained to the strategic investment by Yamana. The financings during the Comparative Quarter related to the Company's rights offering for gross proceeds of \$3,983,434, as well as its private placement for \$575,000 offset by costs incurred to complete these activities.

**Cash Used in Investing Activities**

Net cash used in investing activities during the three months ended March 31, 2022 was \$8,226 pertaining to additional claims staked by the Company on the South Cariboo Gold Project. During the three months ended March 31, 2021, net cash used in investment activities was \$407,242 which consisted of the transaction costs incurred in connection with the Spin out of the Company's exploration projects from KORE.

**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 shares, warrants and options were outstanding:

	<b>Number of Equity instruments</b>	<b>Exercise price</b>	<b>Expiry date</b>
<b>Issued &amp; outstanding shares</b>	<b>90,910,108</b>		
Warrants	1,500,000	\$0.75	July 22, 2022
Warrants	250,000	\$0.75	July 27, 2022
Warrants	788,475	\$0.85	September 2, 2023
Warrants	365,681	\$0.85	September 10, 2023
Warrants	17,500	\$0.85	December 2, 2023
Warrants	123,200	\$0.85	December 21, 2023
Warrants	75,000	\$0.85	December 23, 2023
Warrants	47,727	\$0.85	January 19, 2024
Stock Options	4,300,000	\$0.25	March 7, 2026
Yamana Option	6,000,000	\$0.50	March 28, 2025
Restricted Share Units	2,605,000	-	-
<b>Fully Diluted as at May 26, 2022</b>	<b>106,982,691</b>		

In addition, as of the date of this MD&A, there are 827,909 shares included in the issued and outstanding shares that are subject to 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 shares at a price less than \$0.35 per common share ("Lower Per Share Price"). The number of shares to be issued will equal the difference between the investment divided by the Lower Per Share Price and the sum of the number of shares issued at the original price of \$0.55 and additional shares issued at the \$0.35 price. As of the date of this MD&A, there are also 5,714,286 shares 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 shares

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at a price less than \$0.30 per common share ("Yamana Lower Per Share Price"). The number of 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 shares issued to Yamana at the original price of \$0.35.

**Financial Instruments and Risk Management****Financial Risk Management**

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

**a. Credit Risk**

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

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

**b. Liquidity Risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at March 31, 2022, the Company had a working capital of \$1,400,778 and it does not have any long term monetary liabilities. The Company will seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. The Company's approach to managing liquidity risk is to endeavor to ensure that it will have sufficient liquidity to meet liabilities when they fall due. As at March 31, 2022, the Company had cash of \$2,232,701 to settle current liabilities of \$916,333. The Company's financial liabilities as at March 31, 2022 have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

**c. Interest Rate Risk**

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

**d. Foreign Currency Risk**

Foreign currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company maintains its cash reserves primarily in Canadian dollars and the majority of the Company's expenditures are denominated in Canadian dollars. The Company considers its exposure to foreign currency risk to be immaterial.

**Fair Values**

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

**Related Party Transactions and Balances**

The Company shares office space and personnel with KORE and as a result, any related cost incurred is also shared. During the three months ended March 31, 2022, such administrative transactions with KORE amounted to \$23,941 (2021 – 61,536). As at March 31, 2022, total amount payable to KORE included within accounts payable was \$165,253 (December 31, 2021 - \$141,312).

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#### **Key Management Compensation**

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the Chairman, President & Chief Executive Officer, Chief Financial Officer, and Directors. During the three months ended March 31, 2022, total key management compensation was \$212,616 (2021 - \$107,763), which includes management fees and salaries of \$85,250 (2021 - \$58,081) and share-based payments of \$127,366 (2021 - \$49,682).

Amounts owing to key related parties are unsecured, non-interest bearing and due on demand. As at March 31, 2022, \$119,107 (December 31, 2021 - \$127,250) is due to key management personnel.

During the three months ended March 31, 2022, the Company settled \$52,500 for previous management fees through issuance of 94,454 units. Each unit consists of one share and one-half share purchase warrant, where each whole warrant entitles the holder to acquire an additional share of the Company at a price of \$0.85 per share for a period of 24 months. The common shares issued as part of these units are subject to price protection clause using the Lower Per Share Price, as described above.

#### **Significant Judgments, Estimates and Assumptions**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. Significant estimates and critical judgements, including those that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year were consistent with those disclosed within and applied in the preparation of the annual audited financial for the year ended December 31, 2021.

#### **Recent Accounting Standards**

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

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

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

It is important to note that:

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

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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 within the Company's MD&A for the year ended December 31, 2021.

**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.

For a detailed discussion of the Company's risk factors, please see "Risk Factors" disclosed in the Company's annual Management's Discussion & Analysis for the year ended December 31, 2021 under the Company's profile on [www.sedar.com](http://www.sedar.com).

***Other Information***

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