



KARUS GOLD CORP.

Management's Discussion and Analysis

September 30, 2022

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(Expressed in Canadian dollars unless otherwise stated)

The following Management's Discussion and Analysis ("MD&A"), prepared as of November 17, 2022, should be read together with the unaudited interim financial statements of Karus Gold Corp. ("Karus Gold" or the "Company") for the three and nine months ended September 30, 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 investors, Eric Sprott, who owns 25% and Yamana Gold, 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 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.
- 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.
- 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

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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 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 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.
- In May 2022, 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 TSX Venture Exchange ("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 into a letter of intent ("LOI") 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 from 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 November, the Company announced the signing of a non-binding LOI for a merger with Kenadyr. Per the LOI, 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 Gold will receive common shares of Kenadyr ("Kenadyr Common Shares"), equal to an aggregate of approximately 39,091,346 Kenadyr Common Shares post consolidation (see below). The Proposed Transaction values Karus Gold 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 Proposed Transaction is subject to the parties entering into a binding definitive agreement, which will include customary closing conditions, including the approval of the Karus and Kenadyr shareholders (as applicable), as well as the court and the TSXV.

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Outlook

The Company's plan for the current and the following fiscal year is to continue exploration of its South Cariboo Gold property and its effort to complete public listing 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 along with further desktop studies. 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.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

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

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- 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. In May, 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 Grade³ (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

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Drill Hole	Zone	From (m)	To (m)	Length ^{1,2} (m)	Gold Grade ³ (g/t)
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
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.

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

During the year ended December 31, 2021, the Company met all requirements of its option agreements for 2021 by making a payment of \$20,000 and issuing 90,909 common shares at a value of \$50,000

During the nine months ended September 30, 2022, the Company made a cash payment of \$42,500 as per the obligations of an option agreement.

As of September 30, 2022, if the Company were to exercise its option pursuant to these agreements, it would be required to make cash payments of \$495,000 and issue shares with fair market value of \$385,000 until 2025. The Company's potential cash requirement for 2022 was \$122,500 of which \$80,000 would be made during the fourth quarter if the Company were to exercise its option (\$30,000 paid during October 2022). The Company would also need to issue common shares worth \$50,000 during the fourth quarter of 2022.

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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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.

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

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1. Karus Gold has not been able to determine true width yet due to complexity of the vein structures within the mineralized zones. The 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 during the current fiscal year and its comparative periods:

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
	\$	\$
Assays and analysis	151,995	336,689
Community engagement	15,000	40,171
Drill program	-	2,459,093
Engineering and development	-	63,462
Geophysics and ground prospecting	-	104,468
Project general & admin	55,278	383,053
Project staff & contractors	335,425	417,003
Travel, logistics & camp costs	11,714	189,597
Other recovery	-	(50,000)
	569,412	3,943,536

	For the three months ended September 30, 2022	For the three months ended September 30, 2021
	\$	\$
Assays and analysis	5,807	93,036
Community engagement	-	22,208
Drill program	-	2,382,840
Geophysics and ground prospecting	-	6,786
Project general & admin	8,695	320,453
Project staff & contractors	58,613	136,290
Travel, logistics & camp costs	3,000	153,044
Other recovery	-	(50,000)
	76,115	3,064,657

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Results of Operations

For the nine months ended September 30, 2022 ("the Current period") compared to the nine months ended September 30, 2021 ("Comparative period")

The Company incurred a net loss during the nine months ended September 30, 2022 of \$1,735,652 compared to \$5,325,922 during the nine months ended September 30, 2021, a decrease of \$3,590,270. This lower loss was primarily attributable to the decrease in exploration and evaluation expenses as highlighted above which reduced the overall expenditures by \$3,374,124. During the Current Period, 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 activities also decreased (2022 - \$74,302; 2021 - \$284,706). The Company's (non-cash) share-based payments were also lower (2022 - \$314,827; 2021 - \$518,556) due to no new grants of incentive stock options or restricted stock units during the Current Period as well as the forfeiture of previously granted stock options. However, professional fees were higher (2022 - \$347,704; 2021 - \$134,152) due to the Company's listing efforts.

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

For the three months ended September 30, 2022 (the "Current Quarter") compared to the three months ended September 30, 2021 ("Comparative Quarter")

The Company incurred a net loss during the three months ended September 30, 2022 of \$358,144, compared to \$3,473,301 during the three months ended September 30, 2021, a decrease in loss of \$3,115,157. This decrease was primarily attributable to lower exploration and evaluation expenditure of \$2,988,542 as highlighted above. The Company's (non-cash) share-based payments were also lower (2022 - \$72,016; 2021 - \$224,153) 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.

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.

	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21
Net loss	\$ (358,144)	\$ (617,517)	\$ (759,991)	\$ (815,844)	\$ (3,473,301)	\$ (1,257,722)	\$ (594,899)
Basic & diluted loss per share	\$ (0.00)	\$ (0.01)	\$ (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 September 30, 2022, the Company had a cash balance of \$844,645 and working capital of \$524,472 with current liabilities of \$356,211. The Company has incurred losses since inception and does not generate any cash inflows from operations. For the nine months ended September 30, 2022, the Company used cash flows in operations of \$1,737,590.

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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 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 nine months ended September 30, 2022 was \$1,737,590, compared to \$4,580,265 during the nine months ended September 30, 2021. The decrease in the cash used in operating activities was primarily related to the decrease in the company's exploration activities as highlighted in the table above and also 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 nine months ended September 30, 2022 was \$2,000,000 compared to \$5,786,602 during the nine months ended September 30, 2021. The current period financing pertained to the strategic investment by Yamana. The financings during the comparative period related to the Company's rights offering for gross proceeds of \$3,983,434, as well as its private placements for \$1,984,686 offset by costs incurred to complete these activities.

Cash Used in Investing Activities

Net cash used in investing activities during the nine months ended September 30, 2022 was \$8,276 pertaining to additional claims staked by the Company on the South Cariboo Gold Project as well as an option payment of \$42,500 on the TEP claim of its FG Gold project. During the nine months ended September 30, 2021, net cash used in investing activities was \$416,947 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:

	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	4,250,000	\$0.25	March 7, 2026
Yamana Option	6,000,000	\$0.50	March 28, 2025
Restricted Share Units	2,605,000	-	-
Fully Diluted as at November 17, 2022	105,182,691		

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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 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 September 30, 2022, the Company had a working capital of \$524,472 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 September 30, 2022, the Company had cash of \$844,645 to settle current liabilities of \$356,211. The Company's financial liabilities as at September 30, 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.

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Related Party Transactions

The Company shares office space and personnel with KORE and as a result, any related cost incurred is also shared. During the three and nine months ended September 30, 2022, such administrative transactions with KORE amounted to \$14,791 and \$44,118 (2021 – \$10,397 and \$67,322), respectively.

As at September 30, 2022, total amount payable to KORE included within accounts payable was \$185,430 (December 31, 2021 - \$141,312).

During the nine months ended September 30, 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 nine months ended September 30, 2022, the Company incurred \$26,400 and \$43,400 (2021 - \$nil) respectively in professional fees to Avisar.

As at September 30, 2022 the total amount payable to Avisar was \$9,240 (December 31, 2021-\$nil). This amount 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 Chairman, President & Chief Executive Officer, Chief Financial Officer, and Directors. During the three and nine months ended September 30, 2022, total key management compensation was \$98,226 and \$438,501 (2021-\$155,727 and \$437,896), respectively, which includes management fees and salaries of \$46,250 and \$207,417 (2021-\$108,187 and \$268,581) respectively, and share-based payments of \$51,976 and \$231,084 (2021-\$47,540 and \$169,315) respectively.

Amounts owing to related parties are unsecured, non-interest bearing and due on demand. As at September 30, 2022, \$41,023 (December 31, 2021 - \$127,250) is due to key management personnel.

During the nine months ended September 30, 2022, the Company settled \$52,500 for previous management fees through issuance of units. The common shares issued as part of these units also include the Price Protection Right.

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 statements 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

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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 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.

Other Information

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