



KARUS GOLD CORP.

Condensed Interim Financial Statements

As at March 31, 2021

(Unaudited)

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

As at		March 31, 2021	December 31, 2020
	Note		
Assets			
Current assets			
Cash		\$ 3,848,303	\$ 1
Amounts receivable		20,574	-
Advances and prepaid expenses		20,418	-
		3,889,295	1
Non-current assets			
Deposit		15,000	-
Equipment		11,075	-
Mineral properties	5	10,832,017	-
Total Assets		\$ 14,747,387	\$ 1
Liabilities			
Current liabilities			
Accounts payable		\$ 340,395	\$ -
		340,395	-
Shareholders' equity			
Share Capital	6	14,919,292	1
Warrants		16,700	-
Reserves		65,899	-
Deficit		(594,899)	-
Total shareholders' equity		14,406,992	
Total shareholders' equity & liabilities		\$ 14,747,387	\$ 1
Nature of operations	1		
Spin out from KORE Mining Ltd.	4		

The accompanying notes are an integral part of these financial statements

KARUS GOLD CORP.**Condensed Interim Statement of Loss and Comprehensive Loss***(Unaudited)**(Expressed in Canadian dollars)*

		For the three months ended March 31, 2021	For the period from incorporation on November 20, 2020 to December 31, 2020
	Note		
Expenses			
Depreciation		850	\$ -
Exploration and evaluation expenses	5	\$ 307,988	-
General and administration		26,141	-
Management fees, wages and corporate advisory fees	7	58,213	-
Marketing, advisory and investor relations		46,726	-
Professional fees		89,082	-
Share-based payments	6	65,899	-
Loss and comprehensive loss for the period		\$ (594,899)	\$ -
Basic and fully diluted loss per common share		\$ (0.01)	\$ -
Weighted average number of common shares outstanding		42,873,298	1

The accompanying notes are an integral part of these financial statements

KARUS GOLD CORP.
Condensed Interim Statements of Cash Flows
(Unaudited)
(Expressed in Canadian dollars)

	For the three months ended March 31, 2021	For the period from incorporation on November 20, 2020 to December 31, 2020
CASH USED IN OPERATING ACTIVITIES		
Loss for the period	\$ (594,899)	\$ -
Items not involving cash:		
Depreciation	850	-
Share-based payments	65,899	-
Accrued interest expense	5,700	-
Changes in non-cash working capital items:		
Amounts receivable	(20,574)	-
Prepaid expenses and advances	(20,418)	-
Accounts payable	310,566	-
	(252,876)	-
FINANCING ACTIVITIES		
Shares issued for cash	4,558,434	1
Share issuance costs	(44,314)	-
Loan proceeds from KORE Mining Ltd	500,000	-
Repayment of loan and accrued interest	(505,700)	-
	4,508,420	1
INVESTING ACTIVITIES		
Spinout transaction costs	(407,242)	-
	(407,242)	-
Change in cash	3,848,302	1
Cash at beginning of period	1	-
Cash at end of period	\$ 3,848,303	\$ 1
Supplemental cash flow information:		
Spinout of assets from KORE Mining Ltd.	\$ 10,451,700	\$ -
Share issuance costs included in accounts payable	29,829	-
Interest paid in cash	5,700	-
Income taxes paid in cash	-	-

The accompanying notes are an integral part of these financial statements

KARUS GOLD CORP.**Condensed Interim Statement of Changes in Shareholder's Equity***(Unaudited)**(Expressed in Canadian dollars)*

	Common Shares					
	Number	Amount	Warrants	Reserves	Deficit	Total Equity
		\$	\$	\$	\$	\$
Incorporation share	1	1	-	-	-	1
December 31, 2020	1	1	-	-	-	1
Shares distributed to shareholders of KORE pursuant to spinout	53,112,455	10,435,000	-	-	-	10,435,000
Shares issued pursuant to rights offering	26,556,228	3,983,434	-	-	-	3,983,434
Shares issued on private placement	2,300,000	575,000	16,700	-	-	591,700
Share issuance costs	-	(74,143)	-	-	-	(74,143)
Share-based payments	-	-	-	65,899	-	65,899
Net loss for the period	-	-	-	-	(594,899)	(594,899)
March 31, 2021	81,968,684	14,919,292	16,700	65,899	(594,899)	14,406,992

The accompanying notes are an integral part of these financial statements

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the three months ended March 31, 2021***(Unaudited)**(Expressed in Canadian dollars)*

1. NATURE OF OPERATIONS

Karus Gold Corp. (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”) in January 2021 (Note 4). The Company’s registered office is located at Suite 2500, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3.

These 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) 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, 2020, which have been prepared in accordance with IFRS.

These unaudited condensed interim consolidated financial statements have been authorized for issue by the Board of Directors of the Company on May 28, 2021.

Basis of Measurement

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

Significant Judgments, Estimates and Assumptions

The preparation of the Company’s consolidated 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 consolidated financial statements and the reported amounts of income and expenses during the reporting period. Estimates and assumptions are regularly 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, that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year, are disclosed below.

KARUS GOLD CORP.

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2021

(Unaudited)

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (cont'd...)

Critical Judgments

The Company is also required to make significant judgments whether there are indicators of impairment of the exploration and evaluation assets, by considering if the right to explore the specific area has expired or will be allowed to expire, that further exploration and evaluation expenditures are neither planned or budgeted, or whether sufficient data exists to indicate that development of a specific area is unlikely to recover existing exploration and evaluation costs. If any of these indicators are present, management would need to assess whether the exploration and evaluation property is impaired.

The acquisition of assets and liabilities pursuant to the Spinout and distribution of Spinout Shares (Note 4) required management to make judgments regarding the treatment of the Spinout. Specifically, management made judgements determining that the Spinout was not a common-control transaction, as there was no contractual arrangement between the shareholders of KORE who subsequently became the shareholders of the Company and accounted for it under IFRS 2, *Share-based payments*.

Significant Estimates

The determination of the fair value of the assets and liabilities transferred from KORE pursuant to the Spinout (Note 4) and consideration issued involved significant estimation and judgement by management. In determining the appropriate value, management relied on a number of factors, including a third-party valuation report, similar projects and recent transactions, comparable land packages and valuation of publicly traded entities, the historical exploration work and expenditures made on the project as well as external market conditions, and current and future commodity price expectations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within three months of purchase.

Foreign exchange

The functional and presentation currency of the Company is the Canadian dollar, being the primary economic environment in which the Company operates.

Transactions in currencies other than the entity's functional currency are recorded at exchange rates prevailing on the dates of the transaction. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transaction. Exchange gains and losses arising on translation are included in profit and loss.

Mineral Properties

Acquisition Costs

Costs incurred before the Company has acquired the right to explore a property are expensed as incurred. Exploration and evaluation asset acquisition costs, including option payments, are capitalized on an individual area of interest basis. Once a property is brought into production, the capitalized costs are amortized on a units-of-production basis, or until the properties are abandoned, sold or management determines that the asset is no longer economically viable, at which time

KARUS GOLD CORP.

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2021

(Unaudited)

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral Properties (cont'd...)

the unrecoverable deferred costs are expensed to operations. Option payments relating to the acquisition of exploration and evaluation assets that are exercisable at the discretion of the Company are recorded when paid.

Exploration and evaluation asset acquisition costs include cash consideration and the estimated fair market value of share-based payments, in which the fair value is measured based upon the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the fair value of the goods or services cannot be estimated reliably, then the Company estimates the fair value with reference to the equity instruments granted.

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

Exploration and Evaluation Costs

Exploration and evaluation costs are expensed to operations as incurred.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular exploration and evaluation asset has been determined, the capitalized costs are assessed for impairment and then reclassified to mineral property development costs and carried at cost until the properties to which the expenditures relate are sold, abandoned or determined by management to be impaired in value. The establishment of technical feasibility and commercial viability of an exploration and evaluation asset is assessed based on a combination of factors, including:

- The extent to which mineral reserves or mineral resources as defined in National Instrument 43-101 have been identified through a feasibility study or similar document;
- The results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study;
- The status of environmental permits; and
- The status of mining leases or permits.

Decommissioning and Restoration

Decommissioning and restoration obligations encompass legal, statutory, contractual or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset.

A liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is amortized on either the unit-of-production basis or the straight-line basis, as appropriate. The Company's estimates of provisions for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised. As at March 31, 2021 the Company has determined that it does not have any significant decommissioning and restoration obligations related to its operations.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the three months ended March 31, 2021***(Unaudited)**(Expressed in Canadian dollars)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**Impairment of Non-Financial Assets**

Management reviews the carrying values of capitalized exploration and evaluation assets at the end of each reporting period for indications of impairment. Exploration and evaluation assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit” or “CGU”). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm’s length basis between knowledgeable, willing parties, less costs of disposal.

Fair value less costs to sell is primarily derived using discounted cash flow techniques, which incorporates market participant assumptions and is based on post-tax cash flows that are discounted using a post-tax discount rate.

An impairment loss is recognized if the carrying value amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

Liabilities are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a finance expense.

Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the three months ended March 31, 2021***(Unaudited)**(Expressed in Canadian dollars)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**Income Taxes (cont'd...)**

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax liabilities on temporary differences associated with shares in subsidiaries are not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, and for the carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of tax recovery or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Share-based Payments

The Company uses a fair value based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and certain consultants. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged to profit or loss with the offsetting credit to share option reserve. The fair value of the share options is recognized over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. If options vest immediately, the expense is recognized when the options are granted. When share options are exercised, the amounts previously recognized in share option reserve are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated expense recorded to date is reversed in the period of forfeiture. The carrying value of any share options that expire remain in share option reserve.

KARUS GOLD CORP.

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2021

(Unaudited)

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based Payments (cont'd...)

The Company also issues other forms of share-based awards, including restricted share units (“RSUs”). Where these instruments are only settled in shares, the expense is estimated on grant date based on the quoted market value and recognized over the vesting period. For share-based awards that may be cash-settled, the expense and liability are adjusted each reporting period for changes in the underlying share price as well as changes to vesting factors, as applicable.

Share Capital

When the Company issues private placement units, the shares and warrants are measured using the residual method. This method allocates value first to the more easily measurable component based on fair value and the residual to the less easily measurable component. The Company considers the fair value of its shares issued to be the more easily measurable component of a unit and they are valued with reference to the market price. The residual value attributed to the warrants, if any, is recorded as a separate component of equity.

Earnings (Loss) Per Share

Basic earnings (loss) per share are computed by dividing net earnings (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments.

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive, therefore, basic and diluted loss per share are the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company’s common shares for the period will be dilutive.

Financial Instruments - Recognition and Measurement

The Company classifies its financial assets and liabilities in the following measurement categories - i) those to be subsequently measured at amortized cost; or ii) those to be subsequently measured at fair value (either through other comprehensive income, or through profit or loss (“FVTPL”)).

The classification is driven by the business model for managing the financial assets and their contractual cash flow characteristics. The Company classifies its financial assets and financial liabilities as those to be subsequently measured at amortized cost. At initial recognition financial assets and liabilities are measured at fair value less transaction costs except for financial assets classified as FVTPL, where transaction costs are expensed directly to profit or loss.

Equipment

Property and equipment assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item consists of the purchase price plus any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Depreciation is recorded at the following rates: Vehicles 5 years straight line basis, Machinery and equipment 3-5 years straight line basis, and office leases 3 years straight line basis, being the term of the lease. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the three months ended March 31, 2021***(Unaudited)**(Expressed in Canadian dollars)***4. SPINOUT TRANSACTION**

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 ("Spinout Shares") of the Company which were distributed to KORE shareholders on the basis of one share of the Company for every two KORE shares held (the "Spinout"). The date of close, January 25, 2021, is considered to be the measurement date. In addition, 1,750,000 warrants were issued to KORE warrant holders with an exercise price of \$0.75 until July 2022, and a 1% NSR to KORE (which was assigned a \$nil value).

The fair value estimate of the Spinout Shares was \$10,435,000 on the measurement date, which was determined by management based on a variety of factors. The fair value of the 1,750,000 warrants issued in connection with the Spinout were valued at \$16,700 using the Black Scholes valuation method with the following assumptions: risk-free interest rate of 0.41%, annualized expected volatility of 75%, expected term of 1.5 years and a dividend yield of 0%.

The Company reimbursed transaction costs in connection with the Spinout to KORE of \$407,242, which have been included as a cost of the acquisition.

Consideration issued	
Shares issued	\$ 10,435,000
Warrants issued	16,700
Transaction costs	407,242
	\$ 10,858,942
Assets acquired:	
Deposits	\$ 15,000
Equipment	11,925
Exploration & evaluation assets	10,832,017
	\$ 10,858,942

In connection with the Spinout, KORE also loaned the Company an initial \$500,000 for a term of up to one year and bearing interest at 8% per annum. The Company repaid this loan with proceeds from the rights offering (Note 6), along with accrued interest of \$5,700, during the period ended March 31, 2021.

5. MINERAL PROPERTIES**Acquisition of South Cariboo Property**

Pursuant to the spinout from KORE (Note 4), the Company acquired a collection of claims in BC 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.

The South Cariboo property includes certain option agreements which collectively have annual payments of \$87,500 payable in 2021 up to \$150,000 in 2025, for total future payments of \$625,000. In addition, one option agreement provides for the issuance of shares with a fair market value at the time of issuance of \$25,000 in 2021 increasing to \$160,000 in

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the three months ended March 31, 2021***(Unaudited)**(Expressed in Canadian dollars)***5. MINERAL PROPERTIES (cont'd...)****Acquisition of South Cariboo Property (cont'd...)**

2025, for total share consideration of \$410,000 and one option agreement also requires annual expenditures of \$35,000 in 2021 and an additional \$40,000 in 2022. These option agreements also impose a 1%-2% NSR, of which a portion can be repurchased in certain cases, and one agreement requires a bonus payment of \$1.50 per ounce identified as inferred, indicated or measured in a 43-101 report on the specific claims in the agreement.

The South Cariboo property is subject to additional various net smelter royalties (“NSR”) ranging from 1%-3% NSR, certain of which can be repurchased or have maximum payout terms. Included in these NSRs is a 1% NSR issued to KORE pursuant to the spinout on all claims not otherwise encumbered.

Acquisition of Yukon Claims

The Company holds a 100% interest in the White Gold Project, located in Yukon, Canada, acquired as part of the spinout from KORE (Note 4). The property is subject to annual work commitments of \$187,500 in each of 2020, 2021 and 2022.

Exploration & Evaluation Expenses

	For the three months ended March 31, 2021	For the period from incorporation on November 20, 2020 to December 31, 2020
Assays and analysis	\$ 207,967	-
Community engagement	6,383	-
Drill program	4,953	-
Engineering and development	6,678	-
Geophysics and ground prospecting	1,608	-
Project general & admin	3,916	-
Project staff & contractors	68,125	-
Travel, logistics & camp costs	8,358	-
	\$ 307,988	-

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the three months ended March 31, 2021***(Unaudited)**(Expressed in Canadian dollars)***6. SHARE CAPITAL****Authorized**

Unlimited number of common shares with no par value.

Issued and Outstanding

On November 20, 2020, the date of incorporation, the Company issued one common share at a price of \$1.00.

Pursuant to the spinout from KORE (Note 4), the Company issued 53,112,455 shares with a fair value of \$10,435,000 in January 2021 at the time of issuance and 1,750,000 warrants with a fair value of \$16,700 (Note 4).

In March 2021, the Company issued 2,300,000 common shares pursuant to a private placement for gross proceeds of \$575,000.

In March 2021, the Company completed a rights offering whereby 26,556,228 shares were issued to Karus shareholders at a price of \$0.15 per share for gross proceeds of \$3,983,434. In connection with this offering, the Company incurred share issuance costs of \$74,141.

Warrants

A summary of the warrant activity for the three months ended March 31, 2021 is as follows:

	Number of warrants	Weighted average exercise price	
Balance, December 31, 2020	-	\$	-
Issued pursuant to spinout (Note 4)	1,750,000		0.75
Balance, March 31, 2021	1,750,000	\$	0.75

As at March 31, 2021, the following warrants were outstanding:

Expiry date	Number of warrants outstanding	Exercise price	
		\$	
July 22, 2022	1,500,000	\$	0.75
July 27, 2022	250,000	\$	0.75
	1,750,000		

Stock Options

Pursuant to a rolling stock option plan (the "Option Plan") for directors, officers, employees and consultants, approved January 20, 2021, 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.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the three months ended March 31, 2021***(Unaudited)**(Expressed in Canadian dollars)***6. SHARE CAPITAL (cont'd...)**

A summary of stock option activity for the three months ended March 31, 2021 is as follows:

	Number of options	Weighted average exercise price
Balance, December 31, 2020	-	\$ -
Granted	4,320,000	0.25
Balance, March 31, 2021	4,320,000	\$ 0.25

As at March 31, 2021, the following stock options were outstanding and exercisable:

Expiry date	Number of options outstanding	Number of options exercisable	Exercise price \$
March 7, 2026	4,320,000	-	0.25
	4,320,000	-	

Restricted Share Units

In January 2021, the Company's shareholders approved the Omnibus Plan ("Omnibus Plan"), which is a fixed plan that reserves for issuance a maximum of 5,303,746 common shares as equity-based compensation awards. Together with the 10% rolling stock option plan, only a maximum of 10% of instruments under the Omnibus Plan and Option Plan may be granted to insiders. Awards under the 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.

A summary of restricted share unit activity for the three months ended March 31, 2021:

	Number of RSUs
Balance, December 31, 2020	-
Granted	2,605,000
Balance, March 31, 2021	2,605,000

As at March 31, 2021, 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	-

Share-Based Compensation

During the three months ended March 31, 2021, the Company granted 4,320,000 stock options and 2,605,000 RSUs to directors, officers, employees and consultants.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the three months ended March 31, 2021***(Unaudited)**(Expressed in Canadian dollars)***6. SHARE CAPITAL (cont'd...)**

The fair value of the stock options granted was \$533,747 or \$0.12 per option was determined using the Black Scholes option valuation model and \$35,120 was recognized as share-based payments expense in relation to the vesting of options for the three months ended March 31, 2021.

Share-based payments expense was determined using the following weighted average assumptions:

	March 31, 2021
Risk free interest rate	0.99%
Expected life	3.0
Annualized volatility	75%
Dividend rate	0%

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. The Company recognizes the expense at the fair market value at grant date, being \$651,250 and amortizes it over the vesting period. For the three months ended March 31, 2021, \$30,778 was recognized as share-based payments expense.

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

During the three months ended March 31, 2021, the related party transactions, not disclosed elsewhere in these financial statements, were as follows:

- a) Reimbursement of costs of \$61,536 to KORE, of which was included in accounts payable as at March 31, 2021.
- b) Amounts owing to all related parties are unsecured, non-interest bearing and due on demand. As at March 31, 2021, \$80,869 is due to related parties, inclusive of the amounts due to KORE.

Key Management Compensation

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

8. MANAGEMENT OF CAPITAL

The Company considers items within equity as capital.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations; to perform mineral exploration activities on the Company's exploration projects; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that is intended to provide sufficient funding for operational and capital expenditure activities. When necessary, the Company may seek to secure funds, through debt funding or equity capital. There can be no assurances that the Company will be able to obtain debt or equity capital in the future. (See Note 1).

KARUS GOLD CORP.

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2021

(Unaudited)

(Expressed in Canadian dollars)

8. MANAGEMENT OF CAPITAL (cont'd...)

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements. There have not been any changes to the Company's capital management policy during the period.

9. 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, 2021, the Company had working capital of \$3,548,900 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, 2021, the Company had cash of \$3,843,303 to settle current liabilities of \$340,395. The Company's financial liabilities as at March 31, 2021 have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. See Note 1.

c. Interest Rate Risk

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

d. Foreign Currency Risk

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