

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See RISK FACTORS.

OFFERING MEMORANDUM KARUS GOLD CORP.

Dated: November 29, 2021

The Issuer

Name	Karus Gold Corp. (“ Karus ”, the “ Company ”, “ we ” or “ us ”)
Head Office	960 – 1055 West Hastings Street, Vancouver British Columbia V6E 2E9 Phone: 1-888-455-7620 email: info@karusgold.com
Currently listed or quoted?	No. These Securities do not trade on any exchange or market.
Reporting issuer?	Yes.
SEDAR filer?	Yes.

The Offering

Securities offered	We are offering to sell (the “ Offering ”) up to 545,455 units of Karus (“ Units ” or “ Securities ”), with each Unit consisting of one common share of Karus (“ Common Share ”) and one-half of one Common Share purchase warrant (“ Warrant ”) for aggregate gross proceeds of up to approximately \$300,000. Each whole Warrant will be exercisable to acquire one Common Share at a price of \$0.85 per Common Share until the date which is 24 months following the Closing Date (as defined herein). The Units are also subject to certain anti-dilution rights. See SECURITIES OFFERED.
Price per security	\$0.55 per Unit (the “ Subscription Price ”).
Minimum/Maximum offering	There is no minimum offering amount. The maximum offering amount is \$300,000. You may be the only purchaser. Funds available under the offering may not be sufficient to accomplish our proposed objectives.
Minimum subscription amount	There is no minimum subscription amount an investor must invest.
Payment terms	The Subscription Price must be paid prior to the Closing via certified cheque, bank draft or wire transfer pursuant to the instructions set out in the Subscription Agreement (as defined herein).
Proposed closing date	We will complete the sale of Units (each a “ Closing ”) from time to time as we receive subscriptions, and anticipate a proposed final closing date of December 15, 2021
Income tax consequences	There are important tax consequences to these Securities. See INCOME TAX CONSIDERATIONS AND RRSP ELIGIBILITY.
Selling agent	No.

Resale Restrictions

You will be restricted from selling any securities acquired pursuant to this Offering for 4 months and a day. See RESALE RESTRICTIONS.

Purchasers’ Rights

You have two (2) business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See PURCHASERS’ RIGHTS.

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FORWARD-LOOKING STATEMENTS

Appendix A hereto contains a summary of, and a cautionary note regarding, the “Forward Looking Statements” used in this Offering Memorandum. See: Appendix A – *Forward-Looking Statements*.

USE OF AVAILABLE FUNDS

FUNDS

The following table sets forth the anticipated net proceeds of the Offering:

	Assuming Minimum Offering	Assuming Maximum Offering ⁽¹⁾
A. Amount to be raised by this Offering	N/A	\$300,000
B. Selling commissions and fees	N/A	Nil
C. Estimated Offering costs (including legal, accounting, audit, securities filings etc.)	\$50,000	\$50,000
D. Available funds: $D = A - (B+C)$	N/A	\$250,000
E. Additional sources of funding required	N/A	Nil
F. Working capital deficiency	N/A	Nil
G. Total: $G = (D+E) - F$	(\$50,000)	\$250,000

Notes:

- (1) Karus may complete one or more Closings, at the times determined by Karus, in its sole discretion.

USE OF AVAILABLE FUNDS

We will use our available funds as follows:

	Assuming Minimum Offering	Maximum Offering
Public listing ⁽¹⁾	N/A	\$100,000
General operating expenses ⁽²⁾	N/A	\$150,000
TOTAL	N/A	\$250,000

Notes:

- (1) Karus is in the process of completing its public listing on the TSX Venture Exchange (the “TSXV”). It is anticipated that proceeds from the Offering will be used to continue to move forward with this listing, including completion of the documents required pursuant to the listing application, undertaking audited financial statements and preparation and filing of National Instrument 43-101 compliant technical reports.
- (2) Karus has ongoing operating expenses which include legal, audit, accounting, office and general administrative expenses for which it will use any excess funds.

REALLOCATION

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

BUSINESS OF KARUS

STRUCTURE

Karus is a mineral exploration company. Karus was incorporated under BCBCA on November 20, 2020 as “1275702 B.C. Ltd.” and changed its name to “Karus Gold Corp.” on December 11, 2020.

The head office of each of Karus is at 960 – 1055 West Hastings Street, Vancouver, British Columbia V6E 2E9.

OUR BUSINESS

The principal business activity of Karus is the acquisition and exploration of early stage mineral properties. Karus is focused primarily on the exploration and development of gold exploration projects in the Cariboo Gold District of British Columbia, with 1,000 km² of claims including the FG Gold Project and the Gold Creek Project, in each case, located on the South Cariboo Property in British Columbia.

The South Cariboo Property is a mineral project on a property material to Karus for the purposes of NI 43-101.

For a complete description of the South Cariboo Property, see the report entitled “Technical Report on the South Cariboo Property, British Columbia, Canada” with an effective date of June 10, 2021, dated November 26, 2021 which is available under Karus’ profile on SEDAR at www.sedar.com.

The information contained in this section has been derived from the South Cariboo Property Technical Report, is subject to certain assumptions, qualifications and procedures described in the South Cariboo Property Technical Report, some of which are not fully described herein, and is qualified in its entirety by the full text of the South Cariboo Property Technical Report. Reference should be made to the full text of the South Cariboo Property Technical Report, which is available for viewing under Karus’ profile on SEDAR at www.sedar.com. All capitalized terms used in the disclosure below that are not otherwise defined shall have the meanings ascribed thereto in the Technical Report.

The technical information contained in this Offering Memorandum has been reviewed and approved by Andrew Kaip, P. Geo., Karus’ CEO who is a “Qualified Person” under NI 43-101.

Project Description, Location and Access

The South Cariboo Property consists of 121 mineral claims in two nearly contiguous blocks within the Cariboo Mining Division of central British Columbia, covering 99,778 hectares (998 km²), centred on 52° 23’N latitude and 120° 54’ W longitude. The South Cariboo Property’s northwestern end is referred to as the Gold Creek area and the southeastern end, which includes the Frasergold deposit, as the FG Gold area. Karus is the recorded owner of most claims, although a few are held in the name of their optionors.

The Property includes claims acquired directly by KORE and spun out to Karus, bought by KORE and spun out to Karus under the terms of two purchase agreements (Scott and Earl) or held under the terms of four option agreements (Bullion, Hen, Hawk and Tep). A 1-3% NSR royalty is applicable to certain of the claims held under purchase or option agreements, subject to variable buydown terms. As part of the Spin-out Transaction agreement completed in January 2021, KORE was granted a 1% NSR on all claims spun out to Karus that are not subject to other royalties. Prior to that, KORE was formed by way of a three-cornered amalgamation of a wholly owned subsidiary of Eureka Resources Inc. (“**Eureka**”) and 1184938 BC Ltd (formerly Kore Mining) in October 2018 pursuant to a reverse takeover transaction (“**RTO**”).

A 298-m adit was constructed between 1987 and 1991 for bulk sampling in the FG Gold area (Campbell and Giroux, 2015). The current condition of this adit and its possible environmental liabilities, such as waste dumps or effluent, are not known to the authors of the Technical Report.

Karus has Multi-Year Area-Based (MYAB) Permits for the FG Gold (MX-10-216) and Gold Creek (MX-4-707) areas that allow for drilling until June 2026.

The Property lies within the traditional territory of the Northern Shuswap Tribal Council which is in active land claim negotiations with the British Columbia Treaty Commission (BCTC, 2018). Land claims have not been settled in this part of British Columbia and their future impact on the Property’s access, title or the right and ability to perform work on it remains unclear. The South Cariboo Property is centred 85 km northeast of Williams Lake (population 11,000) in central British Columbia. Paved highways extend northeasterly to the villages of Likely and Horsefly, situated within and 20 km southwest of the South Cariboo Property boundary, respectively. Extensive logging activities occur within the Property. Access is provided by a network of gravel logging roads, some of which are still passable by truck or ATV, remote areas require a helicopter.

Climate and physiography allow for year-round drilling whereas surface exploration is most practical in the months of May to September.

Powerlines at 500 kV and 69 kV pass southeasterly through Williams Lake and a 69 kV powerline extends northeasterly to the Mount Polley mine, located within 5 km of the South Cariboo Property boundary.

Most of the surface rights over the South Cariboo Property are held by the Crown and controlled by the province of British Columbia and should be available to support any eventual mining operations.

Given the early stage of exploration and development on the property, no studies have considered potential waste disposal areas, heap leach pad areas or potential processing plant sites.

History

Mineral interest in the region dates to the discovery of placer gold in the vicinity of Horsefly in 1859 and in the Wells-Barkerville area, 90 km to the north, in 1861. Gold-bearing quartz-pyrite veins were quickly discovered upstream of the Wells-Barkerville placer deposits, but the finely disseminated gold could not be economically recovered using technology of the day. Little hard-rock exploration or development were undertaken until the 1930s when the Cariboo Gold Quartz and Island Mountain underground gold mines opened in the Wells-Barkerville area (Brown and Ash, 2009).

The South Cariboo Property covers many prospects which have independent ownership and exploration histories. These are described below for the two most significant areas: FG Gold and Gold Creek.

FG Gold Area

Much of the following description is derived from historical summaries in the 2015 NI 43-101 report (Campbell and Giroux, 2015) and assessment report 30397 (Sparling and Petrina, 2008).

The first record of gold exploration conducted near the FG Gold area was in the late 1970s when Clifford E. Gunn began prospecting the area, attracted by historical references to the placer gold potential of the region. In 1979 he staked the original claims in the area to cover a panned gold anomaly discovered in Frasergold Creek. From 1980 to 1982 the ground was optioned by Keron Holdings Ltd. and NCL Resources Ltd. Geological mapping and a preliminary soil and rock geochemical survey revealed a 10 km long zone of anomalous gold-in-soil (Gruenwald, 1980; Belik, 1981).

In 1983 Eureka acquired the Property and optioned it to Amoco Canada Petroleum Co. Ltd. (“**Amoco**”). During 1983 and 1984 Amoco collected rock and soil geochemical samples, conducted limited EM and magnetic surveys, and drilled 14 diamond drill holes for 4,519 m (Brown, 1983; Brown, 1984). Visible gold was noted in 12 of the 14 drill holes and anomalous intersections had values ranging from 0.79 g/t Au over 7.5 m to 11.7 g/t Au over 1.5 m. Nonetheless, Amoco terminated the option agreement and returned the property to Eureka.

Eureka completed further soil and rock chip geochemical sampling, trenching and bulk sampling, an induced polarization (IP) survey, reverse circulation (RC) and diamond drilling, and metallurgical testing in 1985 and 1986 (Cartwright, 1985; Leishman and Campbell, 1986). Four reverse circulation holes (406.5 m) and 18 diamond drill holes (2,021 m) were completed in three areas. Twelve of the 18 core holes had sections with visible gold and anomalous values ranged from 1.95 g/t Au over 39.0 m (drill hole 86-2) to 44.9 g/t Au over 1.5 m (drill hole 86-18).

A total of 56 bulk samples were collected from eight surface sites in 1985 and fire assayed for gold (Leishman and Campbell, 1986). One sample, 86-12-2A from the Jay Zone, was submitted to Coastech Research Inc. which milled the material and completed cyanidation testing. Results from the cyanidation work were compared to the standard fire assay analyses. The fire assay (FA) values from the 56 samples varied from 2.0 g/t Au to 4.4 g/t Au.

In 1987 Southlands Mining Corporation (“**Southlands**”) optioned the Frasergold property, excavating eight trenches (660 m) and drilling 21 RC holes (1,710 m) (Campbell et al., 1987). Later that year, Southlands optioned a portion of their interest to Sirius Resources Corp. (“**Sirius**”). Sirius completed 17 diamond drill holes (1,536 m) and 37 RC holes (2,456 m) and blasted 184 m of underground workings to provide 524 tonnes of material for bulk sampling.

In the fall of 1988 Sirius completed work in the Eureka Peak zone, collecting 478 grid soil samples and 27 rock chips from hand trenches, as well as drilling six diamond drill holes (862 m). Several approximately metre-scale intervals returned anomalous assays (Campbell, 1989).

In September 1989, Eureka completed a program of underground channel sampling (284 samples), muck sampling (74 samples) from untested rounds, drill core sampling (297 samples) and re-logging of drill core and geological mapping of underground workings.

In 1990, Eureka entered into a joint venture agreement with Asarco Company of Canada Ltd. (Asarco). In 1990 and 1991, Asarco drilled 25 diamond drill holes (4,687.2 m) and 156 RC holes (15,720 m) (Schatten, 1990). Four 1.25-ton (1135 kg) bulk samples were collected for metallurgical testing, returning a composite grade of 2.33 g/t Au and indicating gold recoveries ranging from 87 to 92%.

The underground workings were lengthened by 114 m in 1991 (Schatten, 1991). These workings produced 1,443 tonnes of material that was divided into nine lots for off-site milling. The estimated average grade of this material was 0.93 g/t Au.

In 2006, Eureka optioned the Frasergold property to Hawthorne Gold Corp. (“**Hawthorne**”). The following year, Hawthorne carried out airborne geophysics (Sparling and Kovacs, 2008) as well as legal surveys, airborne photogrammetric mapping and generation of colour orthophotos, trench sampling, underground channel sampling, adit rehabilitation, and underground bulk sampling (Sparling and Petrina, 2008). In addition, 16 core holes (3,615 m) were drilled within the Northwest, Main, Grouse Creek West, Grouse Creek East and Frasergold zones.

In 2008 Hawthorne drilled an additional 58 diamond drill holes (10,414 m), primarily in the Main Zone, along with more property-wide geochemical surface sampling.

In 2011 Teslin River Resources Corp. (“**Teslin**”) collected 565 soil samples, seven rock grab samples and six silt samples over 27 line-km from three gridded areas; the Kusk Grid between Frasergold Creek and the upper MacKay River, Eureka Bowl Grid in the vicinity of the Northwest Zone and the 18ppm Au Grid in the lower section of Eureka Brook (Whitehead and Kerr, 2011).

In 2015 and 2016, Eureka collected soil samples in the area of the 18ppm Au Grid (Whitehead and O’Neill, 2015).

KORE completed its reverse takeover of Eureka in October 2018, by which means it acquired the FG Gold area claims. In January 2021, KORE completed a Spin Out Transaction of the South Cariboo Property into Karus.

Gold Creek Area

The following description is derived from the historical exploration section in Wetherup (2011).

Some of the earliest (circa 1920s and earlier) reported gold placer workings in the Gold Creek area were on Lawless Creek and Rose Gulch, near Quesnel Forks, and on Poquette Creek 2 km east of Likely. These workings were small intermittent operations, and no records exist that detail the quantity of gold recovered. Gold Creek, a small stream (usually dry or a small trickle in summer months) which empties into Poquette Creek about 2.5 km north of Likely, is reported to have been worked sometime during the early part of the 1900s. At the point where the creek emerges from a gully to merge with Poquette valley, early prospectors noted a system of quartz stringers in bedrock at, and just above, the creek level. Subsequently these stringers were investigated by an adit now concealed under talus, and later by blasting and cat trenching. In 1977, prospector R. Mickle (“**Mickle**”) staked mineral claims covering the old workings and the showings noted above.

In 1978, Silver Standard Mines Ltd. (“**Silver Standard**”) optioned Mickle’s claims and conducted geochemical soil surveys followed by four diamond drill holes in the Gold Creek-Poquette valley area. On the east slope of Poquette valley, geochemical results were as high as 620 ppb and 900 ppb Au. Directly across the valley on the west slope, anomalous values ranged between 120 ppb and 1800 ppb Au. Four widely spaced drill holes tested the geochemical anomalies on either side of the valley and the gold-bearing quartz veins near the old workings. Drill results were poor.

In 1980, Aquarius Resources Ltd. (“**Aquarius**”) acquired most of the claims in the Likely area from Mickle and partnered with Carolin Mines Ltd. (“**Carolin**”). Work completed between 1980 and 1984 included geochemical soil surveys, and airborne electromagnetic and magnetometer surveys.

In 1984-1986, Mt. Calvary Resources Ltd. (“**Mt. Calvary**”), in joint venture with Carolin, conducted a comprehensive geochemical exploration program that included backhoe trenching of gold anomalous areas. Eleven backhoe trenches were dug but only four reached bedrock. The old “LK” prospect of Mickle was trenching and chip sampled, with encouraging results including one 4-m chip assaying 535 ppb and a grab sample with 3100 ppb Au. Test pitting of geochemical and IP anomalies showed thick glacial till over weakly silica-pyrite altered basalt.

In 1987, Dome Exploration (Canada) Ltd. conducted a 28 hole, percussion drilling, program on four of the soil anomalies outlined by Mt. Calvary. The holes encountered 6-45 m of overburden and were mostly positioned east of Poquette Lake, along the south side of the Cariboo River and east of Murderer Creek. The most encouraging hole (329-P25) intersected andesite tuff with traces of pyrite, epidote and mariposite and patchy quartz and calcite veining; it included a 7.6 m section with 91-1115 ppb Au.

In 1989, Corona Corporation (“**Corona**”) optioned the ground from Carolin and carried out check sampling of known showings and limited geological mapping before dropping the option. Mickle retained a small block of claims covering Gold Creek but the surrounding ground eventually lapsed and lay dormant for several years. In 2006, with the announcement of favourable drill results on the nearby Spanish Mountain prospect, Bullion Gold Corp. (“**Bullion**”) began acquiring ground in the Likely area and bought Mickle’s claims.

In 2008, Bullion and Tiex Inc. (“**Tiex**”) drilled 11 holes on the Gold Creek zone on the west side of the Poquette Valley but they suffered from poor core recovery (Buckle, 2009a). Seven of the holes intersected a significant gold zone. From 2008 to 2010, Bullion and Tiex collected 4,547 reconnaissance MMI soil samples over numerous target areas throughout their Cariboo Goldfields property (which is incorporated in the South Cariboo Property but extends southeast of the Gold Creek area) and twinned two of the 2008 Gold Creek drill holes using a sonic drill to investigate whether zones with poor core recovery were gold-bearing fault zones (Buckle, 2009b; Buckle, 2010; Ostensoe, 2010; Wetherup, 2011). The sonic holes had nearly twice the gold grades of the 2008 holes.

In 2011, Bullion drilled five core holes (1,037 m) and 16 reverse circulation holes (1,464 m) in the Poquette valley to test MMI soil geochemical anomalies and better define the limits of gold mineralization in the area (Wetherup, 2013). Results included both broad intersections of low-grade mineralization (including 77.0 m at 0.316 g/t Au in hole GC11-15) and narrow intersections of higher-grade mineralization (including 1.5 m at 13.4 g/t Au in hole GC11-27).

In November 2016, Eureka optioned the Gold Creek claims from Bullion. As part of their work commitments, Eureka drilled three core holes (331.0 m) in 2017 to corroborate some of Bullion’s 2008 and 2011 drilling (Whitehead, 2017) in the Poquette valley (“**Camp Zone**”). The following year, Eureka drilled another four core holes (940.0 m) on the Camp Zone. These holes demonstrated its continuity and extended it along strike, with both narrow high-grade intersections (e.g. 1.50 m @ 32.2 g/t Au in hole GC18-39) and broader low-grade intersections (e.g. 50.21 m @ 0.7 g/t Au in hole GC18-36) (Hynes, 2018).

Eureka fulfilled the terms of its option agreement with Bullion to acquire 100% of their Gold Creek claims prior to August 31, 2018.

KORE completed its reverse takeover of Eureka in October 2018, by which means it acquired the Gold Creek claims. In January 2021, KORE completed a Spin Out Transaction of the South Cariboo Property into Karus.

Historical Mineral Resource Estimates

In 2009, Gary Giroux calculated mineral resources for the Frasergold deposit compliant with NI 43-101 reporting standards (Campbell and Giroux, 2015). He used data from the 160 diamond drill holes (28,323 m) and 242 reverse circulation holes (21,368 m) drilled at Frasergold between 1983 and 2008 for assays and a geological model. Capped assay data was composited in 5 m lengths and separated into “Vein Style” (averaging 3.686 g/t Au), “Disseminated Style” (averaging 0.272 g/t Au) and “Low-Grade Envelope” (averaging 0.126 g/t Au) composites. Grades for 10 x 10 x 5 m blocks were interpolated by ordinary kriging. The resource presented by Campbell and Giroux (2015) was calculated at a cut-off grade of 0.5 g/t Au (Table 6 1).

Table 6 1: 2015 resource estimate for the Frasersgold deposit (Source: Campbell and Giroux, 2015)

Zone	Classification	Tonnage (Mt)	Grade	Contained Metal
			Au (g/t)	Au (koz)
Main	Measured	5.60	0.812	145.0
	Indicated	9.57	0.755	231.0
	Measured + Indicated	15.17	0.776	376.0
Main	Inferred	8.27	0.670	177.0
NW	Inferred	19.18	0.740	457.0
SE	Inferred	0.04	0.632	0.9
Total	Inferred	27.49	0.718	634.9

This historical resource estimate has not been verified by the authors of the Technical Report and should not be relied upon for any use. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources and Karus is not treating the historical estimate as current mineral resources.

No other significant historical mineral resource estimates have been reported for the Property.

Geological Setting, Mineralization, and Deposit Types

Geological Setting and Mineralization

The South Cariboo Property occurs along a major terrane boundary and in close proximity to other orogenic gold and alkalic porphyry deposits. The property-scale geology reflects its proximity to this suture zone. There is one known deposit within the Property (Frasergold) along with several prospects and showings.

Regional and Local Geology

The South Cariboo Property is situated along the terrane boundary between the Quesnel (or “**Quesnellia**”) and Kootenay terranes. Quesnellia was a Mesozoic island arc that was emplaced onto the passive margin of ancestral North America, beginning in the Early Jurassic. The terrane boundary is defined by a broad belt of deformed metasedimentary rocks developed in a basin that, prior to obduction, separated ancestral North America from Quesnellia. These sedimentary rocks belong to the Quesnel and Kootenay terranes, as well as so-called “overlap” assemblages that formed in new basins established after ocean closure. Remnants of oceanic-type crust, which formed the deepest part of this peri-cratonic basin, form the Slide Mountain Terrane that locally occurs between the Quesnel and Kootenay terranes.

Folding- and faulting-related structures, which developed during obduction, are typically recognized as D1 and D2. The D1 structures include penetrative cleavage (S1) that is axial planar to northwest trending F1 folds and shear zones (Rhys et al., 2009). Peak regional metamorphism of upper greenschist facies to lower amphibolite facies (c. 450-600°C, 6-10 kbar) was achieved at c. 180-175 Ma (Andrew et al., 1983; Elsby, 1985; Mortensen et al., 1987) and, in certain parts of the suture zone, appears to be syn-D2 (Allan et al., 2017). D2 structures are defined by a locally dominant crenulation cleavage (S2) that is axial planar to F2 folds. The long axes of several gold deposits, including Frasersgold, are parallel to L2 whereas extension veins are generally orthogonal (Rhys et al., 2009). D1 and D2 are likely part of the same progressive deformation event related to obduction of the Quesnel arc onto the North American continent.

Regional Metallageny

The Cariboo Gold District is a part of the eastern Cordilleran gold belt that encompasses a 25 x 150 km northwesterly-trending region of orogenic gold mineralization and its derived placer gold deposits. It is hosted within polydeformed, medium grade metamorphic rocks of the Barkerville Terrane’s Snowshoe Group to the north in the Wells-Barkerville area and less deformed and less metamorphosed black phyllites of the Quesnel terrane to the south in the South Cariboo Property area.

Cu-Au porphyry deposits occur west of the eastern Cordilleran gold belt within the Quesnel terrane. Historical work has demonstrated potential for both deposit types in the South Cariboo Property, and so they are described below.

Orogenic Gold in the Eastern Cordilleran Gold Belt

Orogenic gold deposits in the Cariboo Gold District include the Wells-Barkerville Camp, hosted within North American sedimentary rocks, as well as the Spanish Mountain and Frasergold deposits at its southern end, within black phyllite of the Quesnel terrane.

The Wells-Barkerville Camp, located 90 km north of the South Cariboo Property, consists of quartz-carbonate-pyrite veins and pyrite replacement-style deposits hosted in more competent metasedimentary rock units. $^{40}\text{Ar}/^{39}\text{Ar}$ ages indicate emplacement of early quartz veins between 155-147 Ma followed by Au-bearing replacement zones and extensional veins from 148-139 Ma, most likely during the waning stages of D2 (Rhys et al., 2009). Approximately 2/3 of the gold was produced from vein deposits and the remainder from replacement style (Allan et al., 2017).

At least two stages of quartz veining are present in the Wells-Barkerville camp: early poorly mineralized and deformed veins, which are cut by later gold-bearing, late tectonic quartz-carbonate-pyrite veins. The early veins contain only background or low (<2 g/t) gold concentrations. The younger, auriferous quartz veins form complex vein arrays at two or more orientations. Where the quartz veins occur together with replacement style mineralization, the veins typically cut across it (Mortensen et al., 2011).

Replacement ore forms multiple small (500–40,000 tonne), manto-like, folded, northwest-plunging, rod-shaped bodies of massive, fine-grained pyrite > (Fe-carbonate + quartz) that replace limestone bands. Mineralization is commonly banded, with alternating pyrite- and carbonate-dominant bands. Highest Au grades are associated with fine-grained pyrite within which Au occurs as grains along crystal boundaries and fractures.

Recent exploration work by Barkerville Gold Mines and then Osisko Gold Royalties Ltd has demonstrated Measured + Indicated resources of 21.4 million tonnes grading 4.6 g/t Au, for 3.2 million ounces of gold (Beausoleil and Pelletier, 2020) (Table 7 1). The authors of the Technical Report have not verified the resources at Wells-Barkerville and the mineralization there is not necessarily indicative of mineralization on the South Cariboo Property.

Table 7 1: Summary of historical production, and current resources of the Wells-Barkerville Camp (Source: Allan et al., 2017; Beausoleil and Pelletier, 2020)

Area	Deposit	Mineralization Style	Historical Production	Resources (M+I) ¹
Cow Mountain	Cariboo Gold Quartz Mine	vein	621 koz @ 11.5 g/t Au	
	Valley			251 koz @ 4.5 g/t
	Cow			838 koz @ 4.5 g/t
	Lowhee			46 koz @ 3.7 g/t
Barkerville Mountain	Bonanza Ledge	replacement and vein	13 koz @ 6.3 g/t Au	50 koz @ 4.8 g/t
	B.C. vein			179 koz @ 4.7 g/t
	KL			42 koz @ 3.3 g/t
Island Mountain	Aurum	replacement > vein	604 koz @ 14 g/t Au	
	Mosquito Creek		35 koz @ 11.7 g/t Au	150 koz @ 6.0 g/t
	Shaft			1,644 koz @ 4.7 g/t
Cariboo Hudson	Hudson vein	vein > replacement	6.2 koz @ 14.9 g/t Au	
	Shasta vein			

The Spanish Mountain deposit occurs on the other side of the terrane boundary from Wells-Barkerville, within carbonaceous argillite, siltstone, and greywacke of the Quesnel terrane. The deposit lies 6 km east of the South Cariboo Property and is a bulk tonnage gold deposit that also includes local higher-grade gold-bearing quartz. The most economically significant gold mineralization (>1 g/t Au) occurs in wide zones (10–135 m), hosted mainly within the black argillite unit as a set of stacked and lens-shaped bodies. At least two periods of mineralization are

recognized within these mineralized bodies; an earlier phase of disseminated pyrite and pyrite-quartz veinlets, and a later phase of fault-related quartz veining. The highest gold grades in the Spanish Mountain deposit are typically associated with quartz veins, particularly in association with mineralized faults (Mortensen et al., 2011). Mineralization is syn- to post-D2 and likely occurred between 161-150 Ma, broadly overlapping with the onset of pre-mineral brittle deformation in the Wells-Barkerville Camp (Allan et al., 2017).

The Frasergold deposit comprises stratabound sets of white quartz veins hosted in a distinct, “knotted”, Fe-carbonate porphyroblastic, carbonaceous phyllite. The veins form complex sets that are developed in concentrated zones several metres to tens of metres wide, which collectively dip to the southwest and form a bulk tonnage low-grade gold deposit (Mortensen et al., 2011).

Cu-Au Porphyry Deposits

Mount Polley is an open pit and underground Cu-Au-Ag porphyry mine located 5 km west of the South Cariboo Property. The deposit is hosted in a high level, northwest-trending, alkalic stock (“**Mount Polley Complex**”) that was emplaced into metasedimentary and metavolcanic rocks of the Nicola Group at c. 205 ± 3 Ma (Mortensen et al., 1995). Mineralization occurs mostly within magmatic-hydrothermal breccias, with lesser amounts hosted within veins, disseminations, and skarn (Pass et al., 2014). The silica-undersaturated nature of mineralization and associated magmatic rocks is somewhat unusual, with alteration and vein minerals consisting mostly of carbonate and garnet. The mine is currently on care-and-maintenance with reserves of 73.6 million tonnes at 0.274% Cu, 0.293 g/t Au, and 0.563 g/t Ag, as well as measured and indicated resources of 247 million tonnes at 0.2665% Cu, 0.262 g/t Au and 0.667 g/t Ag (Brown et al., 2016). The author of the Technical Report has not verified the resources at Mount Polley and the mineralization there is not necessarily indicative of mineralization on the South Cariboo Property.

Property Geology

The South Cariboo Property is almost entirely (~90%) underlain by metasedimentary rocks of the Quesnel terrane, with the eastern-most part of the Property underlain by the Slide Mountain and Kootenay terranes. Slide Mountain Terrane (SMT) is wedged between Quesnel and Kootenay rocks across much of the Property area, with the eastern side of the SMT demarcated by the Eureka thrust. Post-accretionary igneous rocks occur in the central part of the property between Quesnel and Horsefly lakes. Key units are further described below.

Kootenay Terrane

The Kootenay Terrane comprises part of the North American basinal strata (Massey et al., 2005), which in the project area consists mostly of Late Proterozoic to early Paleozoic Snowshoe Group and ~420-320 Ma Quesnel Lake gneiss. The Snowshoe Group consists of siliciclastic rocks with minor carbonate and metavolcanic rocks that most likely formed at the distal edge of a passive margin (Ferri and Schiarizza, 2006). Quesnel River gneiss consists of deformed granitoid rocks, the precursors of which were emplaced into the Snowshoe Group prior to collision of Quesnel with North America. These rocks do not host mineral deposits within the Property area.

Slide Mountain Terrane

Slide Mountain Terrane consists mostly of Carboniferous to Permian (~350-250 Ma) ultramafic and mafic rocks most likely derived from oceanic-type crust developed in a marginal basin (Roback et al., 1994). Some of this crust directly underlying the Quesnel terrane was obducted, together with Quesnel rocks, onto the passive margin of ancestral North America.

Quesnel Terrane

Sub-units of Quesnel Terrane exposed in the South Cariboo Property include the Slocan and Nicola groups, as well as the Ashcroft Formation.

The Slocan Group forms the lower-most part of the Quesnel terrane in the Property area and consists mostly of slate and phyllite (Schiarizza, 2016). These rocks are most abundant in the southern part of the Property and host the Frasergold deposit. Within the deposit area, Slocan Group consists of a ~200 m thick phyllite with Fe-carbonate porphyroblasts (“knotted”) bound by non-porphyroblastic phyllite, siltstone, and silty limestone (e.g. Campbell and

Giroux, 2015). The knotted phyllite is strongly carbonate-altered and associated with gold-bearing quartz-carbonate-sulphide veins.

The Nicola Group underlies 55-60% of the Property and is host to the Gold Creek prospects and Nova zone, as well as the nearby Spanish Mountain gold and Mount Polley Cu-Au-Ag deposits. Schiarizza (2016) subdivided the Nicola Group into four assemblages that show a gradation from metasedimentary rocks at the base through volcanoclastic, volcanic flow, and then conglomerate at the top. Most of the Nicola Group underlying the Property consist of rocks of assemblages 1 and 2, with the Gold Creek area occurring within and near the transitional contact between them.

The ~200-175 Ma Ashcroft Formation is the uppermost part of the Quesnel terrane in this area, and consists of greywacke, argillite, and conglomerate. Within the Property, this Formation occurs west of the Gold Creek area.

Post-accretionary igneous rocks

Lower to Middle Eocene volcanic rocks of the Kamloops Group underly the Property south of Quesnel Lake. They are not associated with any mineral showings and references describing these rocks were not found.

Structure and Metamorphism

The Kootenay, Slide Mountain, and Quesnel rocks were all affected by two significant phases of deformation (D1, D2) are related to the same tectonic event that produced the regional-scale D1 and D2 fabrics, though their exact correlation remains to be resolved (Rhys et al., 2009).

On the South Cariboo Property, D1 produced penetrative slaty to phyllitic cleavage (S1) that dips southwest and is axial planar to tight, generally northwest trending, F1 folds and shear zones (Campbell and Giroux, 2015). The Eureka thrust, which forms the basal thrust to the Slide Mountain and Quesnel terranes, is the most prominent D1 structure in the Property area (Struik, 1986).

The D2 event produced the Eureka syncline, which openly refolded S1 as well as D1 structures like the Eureka thrust. The Frasergold deposit occurs on the northeast limb of this syncline. Associated foliation (S2) is axial planar to the syncline.

A late north to northeast trending crenulation cleavage (S3) and kink bands overprint both D1 and D2 fabrics (Campbell and Giroux, 2015).

Property Mineralization

BC MINFILE records 10 mineral occurrences within the South Cariboo Property, broadly distributed in four areas: FG Gold, Gold Creek, the lowlands between the Quesnel and Horsefly lakes, and west of Crooked Lake.

FG Gold

The Frasergold deposit is hosted by Slocan Group rocks on the northeast limb of the Eureka syncline whereas the Kusk prospect is located 2.5 km southeast within the nose of the same syncline. The Kusk prospect shares many similarities with Frasergold (Rhys et al., 2009) and is likely part of the same system.

The Frasergold deposit is a sub-horizontal rod-shaped deposit trending northwest-southeast, with anomalous gold (>0.1 g/t Au) continuous along strike for 3.4 km and showing broadly sub-equal thickness and down-dip extent of 200-250 m. Surface sampling and prospecting shows that this 3.4 km long zone may extend for up to 10 km along strike (Rhys et al., 2009). Various work refers to an upper and lower zone (e.g. Campbell and Giroux, 2015; KORE, 2020c), with most historical drilling just testing the upper zone and the near-surface part of the lower zone.

Gold is associated with quartz-carbonate-pyrite-pyrrhotite veins and carbonate alteration, the latter forming ankerite porphyroblasts that are referred to as “knots”. Most quartz-carbonate-sulphide veins trend concordant to S0/S1 and occur as stringers and lenses that are up to 30 cm wide and continuous for up to several metres along strike. These veins consist of massive white quartz with minor Fe-carbonate and, locally, muscovite selvages.

Veins that trend oblique to S0/S1 contain the same massive white quartz as the S1-concordant veins, and intersect the S1-parallel veins without crosscutting relationships (Rhys et al., 2009). For these reasons, the S1-parallel and -discordant vein sets are interpreted to be part of the same veining event. The S1-oblique veins are generally thicker (15-50 cm), contain more Fe-carbonate and disseminated sulphide, and are generally higher grade (Campbell et al., 1991). The entire vein set was possibly emplaced within, or adjacent to, a concordant or semiconcordant D1 shear zone (Rhys et al., 2009) that was then deformed in the latter stages of D1, as well as D2 and D3.

Nova zone is a copper-gold porphyry-style target located 5 km west-northwest of the Frasergold deposit and is equivalent to the EN showing registered in MINFILE. The target is described as a 3.5 x 1 km oxidized sulphide zone with elevated Au-in-soil centred on a monzonitic porphyry complex.

Intrusive rocks consist of pyroxene- and hornblende-phyric monzonite as well as quartz monzonite breccia, microdiorite, and augite-phyric diorite (Leroux, 2019a). All intrusive phases host disseminated sulphide and replacement-style stringers, consisting mostly of pyrrhotite with lesser chalcopyrite and pyrite. Microdiorite contains “massive sulphide style mineralization” (Leroux, 2019a).

Gold Creek Area

The Gold Creek area comprises a zone of bedrock gold occurrences and anomalous soil geochemistry. Some of the higher-grade occurrences occur in a northwest trending belt referred to as the “Camp zone”, which is centred just 2 km east-northeast of Likely. The Camp zone is equivalent to the Moose showing in MINFILE and is named after its proximity to the Spanish Mountain Gold Ltd exploration camp.

MINFILE describes the Camp zone as gold-bearing quartz and poly-metallic veins whereas Owsiacki (2008) describe quartz stringers within limonite-, pyrite- and silica-altered greywacke.

More recent work by Leroux (2019b) describes the Camp Zone as gold-bearing quartz-carbonate sheeted vein sets that are preferentially developed within more competent wacke, siltstone/sandstone, and andesite tuff. These vein sets are west of northwest to northwest striking moderately dipping to subvertical, <1 metre to several metres in width, and occur either within or near carbonate-, silica-, pyrite-, sericite-altered fault zones. Individual veins also host pyrite with minor arsenopyrite, galena, sphalerite, chalcopyrite, tetrahedrite and visible gold (KORE, 2019).

Contact-controlled mineralization occurs in alteration zones developed at lithological contacts between siltstone and volcanic rocks, as well as shale with argillite or greywacke. Gold is associated with pyrite as well as strong Fe-carbonate, sericite, and silica alteration (KORE, 2019).

Approximately 50 drill holes have been drilled in the Gold Creek area, with the most recent drilling in 2017 and 2018. This work returned several 15 m to 85 m intervals with composite grades between 0.4 g/t Au to 1.0 g/t Au, some of which contained higher-grade intercepts of 32.2 g/t Au over 1.5 m (GC-18-39), 33.2 g/t over 1.25 m (GC-17-35), and 8.6 g/t Au over 3.1 m (GC-18-36) (Hynes, 2018).

Other showings

The McKee showing consists of epigenetic-type gold-bearing veins within the lower-most assemblage of the Nicola Group, comprising metasedimentary rocks. The showing appears to be localized on a northwest-trending fold axis

There are two Cu alkalic porphyry-style showings (Pine 9, Red Rock 5) approximately 3-4 km west-southwest of the Gold Creek area.

The contact between Kootenay and Quesnel terranes bends from northwest to east-west in the vicinity of Horsefly and Quesnel lakes. Two gold and a copper showing (Forks, LO, ZED) occur within 3-6 km of this contact and are described as epigenetic vein- and porphyry vein-style occurrences.

Deposit Types

The main deposit types that occur within the South Cariboo Property are orogenic gold and Cu-Au alkalic porphyry copper-gold deposits. Each is summarized below.

Orogenic Gold Deposits

Orogenic gold deposits form many of the most significant gold-producing belts in the world (e.g. Kalgoorlie in Australia, Timmins in Ontario, and Ashanti in Ghana). Their name reflects a temporal and spatial association with late stages of orogenesis (Groves et al., 1998; Goldfarb et al., 2001; Goldfarb et al., 2005; Dubé and Gosselin, 2007) with many deposits developing between 2.8 to 2.55 Ga (Archean), 2.1 to 1.8 Ga (Early Proterozoic) and 600 to 50 Ma (Phanerozoic). Orogenic-style mineralization within the eastern Cordilleran gold belt, including the Cariboo Gold District, was deposited between 180-140 Ma.

The Phanerozoic deposits include a relatively high number that are hosted in sedimentary rocks (the “sedimentary hosted vein (SHV)” deposits of Klipfel, 2005) that were developed on passive margins and then deformed and metamorphosed in regional-scale fold-and-thrust belts. Hydrothermal fluids generated during this fold-and-thrust event ascended along related faults to deposit gold.

Orogenic gold systems, including SHV deposits, are typically associated with deep-crustal fault zones like those marking terrane boundaries. Large gold camps are commonly associated with curvatures, flexures and jogs along these deep fault zones, with gold typically concentrated in dilational structures, at intersections of multiple structures, and/or competent or reactive lithological units. The relative timing of mineralization is typically syn- to late-kinematic and syn- to post-peak metamorphism.

Gold in all orogenic deposits occurs in structurally controlled vein systems that include shear and related extension veins, as well as hydrothermal breccias. Individual veins range anywhere from <1 cm to 10 m in width and form sets with continuity of up to 5 km along strike, 3 km in depth, and 1 km in width. In SHV deposits, gold is sporadically associated with As, Sb, and/or W (Klipfel, 2005).

The main economic mineral is native gold, which in SHV deposits either lacks correlation with sulphide or occurs with arsenopyrite. Sulphide minerals typically comprise less than 5% of the volume of any orogenic deposit. The main gangue minerals are quartz and carbonate with variable abundance of white mica.

Cu-Au Alkali Porphyry Deposits

The South Cariboo Property lies 5 km east of the Mount Polley Cu-Au alkalic porphyry mine and hosts several alkalic porphyry-type showings. These deposit types commonly formed in oceanic volcanic island arcs at convergent plate boundaries, analogous to the paleo-arc Stikine and Quesnel terranes.

Alkalic porphyries are derived from magmatic fluids (mostly water, CO₂) that form disseminated, vein and/or breccia deposits, typically in close association with the parental (or “mineralizing”) intrusion. Intrusions range from syenitic to gabbroic in composition and typically comprise part of a high-level intrusive complex emplaced into coeval and cogenetic volcanic rocks. Potassic alteration assemblages (potassic feldspar, biotite, magnetite) typically define the hottest and most strongly mineralized parts of these hydrothermal systems, with principal sulphide minerals including chalcopyrite and pyrite, as well as significant bornite in some deposits (Panteleyev, 1995).

The potassic core passes outwards into irregular zones of phyllic (quartz-sericite-pyrite) and propylitic (chlorite-epidote) alteration assemblages that generally have a larger footprint than the core and can therefore be used as vectors towards economic mineralization.

Exploration

Since completing the reverse takeover of Eureka on October 30, 2018, Karus (as KORE) completed a surface sampling program over the Nova zone and Gold Creek area in 2019, and a small soil sampling program in the FG Gold area in 2020.

2019 Surface Sampling

Karus collected 32 rock samples from the Nova zone and 37 from the Gold Creek area during the 2019 season (Leroux, 2019b). Sampling methods varied from selective (i.e., select grab samples) to less selective (e.g., 1-4 m chips, 1 x 1 m panel, representative grabs) on prospective features that include veins, faults, and gossan.

All samples were submitted to ALS Limited in North Vancouver, BC, (“ALS”) for gold and multi-element analysis. This facility is accredited by both the Standards Council of Canada and the International Organization for Standardization.

Analyses for the 2018 rock samples included fire assay with an ICP-AES finish for gold (Au-ICP21), and four acid digestion with an ICP-MS finish for all other elements (ME-MS61).

Samples from the Nova zone were collected to investigate the Cu-Au porphyry potential of the area, with three of 32 samples returning 0.1-0.2 g/t Au and four other samples assaying 0.1-0.4% Cu.

All 37 rock samples from the Gold Creek area returned <0.1 g/t Au, although one sample of quartz stockwork did assay 48 g/t silver (Leroux, 2019b).

2020 Surface Sampling

Karus conducted two small soil sampling programs in 2020, the first over 3 days in July (77 samples) and a second in the autumn (26 samples) before snowfall made the work impractical.

The summer sampling program targeted the northwest extension of the knotted phyllite unit on the southwestern arm of the Eureka syncline. Results indicate weak (25-50 ppb) enrichment of Au-in-soil located approximately 1,000 m along strike of the northwestern-most mapped occurrence of knotted phyllite on this part of the Property. Another line of samples, located another 1,200 m further northwest, failed to capture gold enrichment but may have been run too far to the south.

The autumn sampling attempted to infill a gap in sampling on the southwestern arm of the Eureka syncline closer to the fold axis. Results were not reviewed by the authors of the Technical Report.

Drilling

Karus completed a drilling program started by Eureka, in autumn 2018, and conducted drilling campaigns in the FG Gold and Gold Creek areas in 2020. These programs are summarized below.

Karus has up-to-date Standard Operating Procedures for core logging (De Bruyckere, 2020a), core sampling (De Bruyckere, 2020d), geotechnical logging (De Bruyckere, 2020b), and collecting oriented core data (De Bruyckere, 2020c), and appeared to use a similar set of procedures for its 2018 drilling program.

2018 Nova

The 2018 diamond drilling program on Nova zone was done by J.T. Thomas Diamond Drilling Ltd of Smithers, BC, over 21 days beginning October 1, 2018 (Leroux, 2019a). The aim of the program was to test the Nova zone for porphyry-style mineralization (Leroux, 2019a).

The drill program comprised three skid-based holes (DDH-18-001 to 003) for 1,077 m, with hole depths ranging from 289 m to 469 m. The three holes were drilled from the same set-up in a fan-like configuration. All drilling was done as NQ-sized core in 10-foot runs (3.05 m). Core was transported by truck from the drill site to the core logging facility in Likely, BC. Recovery averaged 100% for all three holes whereas rock quality designation (RQD) was not measured.

Geologists recorded lithology, alteration, mineralization, veins, and structure during core logging (Leroux, 2019a). Logs are detailed and complete but were never integrated into a single database. Alteration is mostly logged as moderately intense silica, with or without K-feldspar and sericite, and is not clearly relatable to standard alkalic porphyry models.

Core was split and packed for shipment in Likely, BC, then submitted to ALS Limited in North Vancouver, BC, for analysis. Reference core was transported back to a secure storage facility in Horsefly, BC.

2020 Frasergold

The 2020 drill program on the Frasergold deposit was completed in two phases from March to April followed by July to October. All drilling was done as HQ3-sized core by Paycore Drilling of Valemount, BC, (“Paycore”) using a skid-mounted diamond drill. The drill program was managed by Karus and their subcontractors.

The Spring program comprised eight holes (FG-20-368 to 375) for 1,583 m, with hole depths ranging from 175 m to 250 m. All holes were drilled in the northwestern half of the Frasergold deposit, along approximately 200 m of strike length.

The Summer to Fall program comprised 15 holes (FG-20-376 to 390) for 5,829 m, with holes ranging from 275 m to 507 m in depth. These holes were likewise all drilled on the Frasergold deposit, with 11 collared along ~600 m of strike length within the Main Zone of the deposit, and four holes testing along-strike potential 400-500 m to the southeast and 600-700 m to the northwest.

Holes were spotted with a handheld GPS and the drill was aligned with either an azimuth pointing system (APS) or compass. Offsets between the aligned azimuth (depth = 0 m) and the first downhole survey (usually at ~30 m depth) ranges mostly between $\pm 5^\circ$, indicating reasonable alignment of the drill prior to drilling.

Fifteen of 18 non-vertical holes were started at azimuths between 220° - 230° , which is in the opposite direction to most historical drilling and parallel to the dip direction of the deposit. Drilling at these non-ideal azimuths was done to test the down-dip extent of the “lower zone” while maintaining permit compliance. The new MYAB permits received by Karus in June 2021 ensures that future drilling can be done at more optimum orientations. Starting dips ranged from -55° to -75° .

All downhole surveys were done with a Reflex EZ-Shot, which is most effective in non-magnetic rock. Survey errors related to magnetic minerals are most likely minor although we do recommend use a gyroscopic downhole survey tool on any future infill-type drilling programs.

Core was oriented with a Reflex ACT II tool or equivalent with the quality of orientation marks recorded in the structure table and as a separate run-by-run table in logs FG-20-378 to 389. Over half (55%) of structural measurements have an orientation quality of 3, meaning that the marks line up on three consecutive runs. However, the database contains several instances of orientation quality = 3 that are significantly outside acceptable lock angle ranges of $\pm 10^\circ$ (Holcombe, 2017).

All eight of the Spring holes were drilled with industry standard 3 m runs whereas the Summer drilling was completed with 1.5 m runs to double the number of core orientation marks. Average recovery (98%) is high by industry standards whereas RQD is on average good (79%) across a range from poor to excellent (36-95%).

Collars were located with hand-held GPS. Post-drilling differential real time kinematic (RTK) GPS (DGPS) surveys were not done so that final hole positions may have location errors of up to 10 m. This is insignificant for the drill spacing used by Karus but should be resolved prior to any future resource estimation.

Logged features include lithology, alteration, mineralization, structures, and veins. Alteration is recorded as assemblages (e.g. sericite-carbonate-pyrite) or as individual minerals. There is some inconsistency in the use of logging codes (particularly lithology codes “QVV” and “SIS”) that could be fixed by aggregating all logs into a single database.

Over 99% of drill core was sampled at an average sample length of 1.2 m, for a total of 6,165 core samples. An additional 767 QAQC samples were inserted (60% CRM, 20% blanks, 20% duplicates) for an insertion rate of 11% that meets industry best practice (e.g. Abzalov, 2008).

No specific gravity data was collected.

All 23 of the 2020 Frasergold drill holes were drilled within and around the 0.1 g/t Au grade shell of Campbell and Giroux (2015) (“**2015 grade shell**”) with most (N = 19) drilled on one of three northeast-trending sections that cover 570 m of strike length in the most densely drilled part of the deposit. The remaining four holes were collared up to ~400 m southeast and ~600-700 m to the northwest of this area. All drilling intersected an intercalated sequence of

knotted phyllite and silicified layers with 15-30% quartz veins, logged as quartz-veined rock (QVV) in the Spring program and as sandstone/siltstone (SIS) in the Summer.

Twenty of the 23 holes drilled in 2020 returned at least one 10-100 m long interval grading around 0.5 g/t, typically with at least one or more metre-scale intercept that returned >1 to 100 g/t Au. The remaining holes returned 10-50 m intervals grading 0.1 to 0.3 g/t Au with metre-scale intercepts of 1-10 g/t Au. True widths are estimated to range from 50% to 100% of downhole widths.

Because there is no geological model for the Frasergold deposit, the geological context for the composites are here described in relation to the 2015 grade shell. Fifteen of 23 holes drilled through the upper zone of the grade shell (UZGS), with results comparable to historical intercepts in this part of the grade shell. Five of 23 holes, most of which were drilled vertically, also intersected the lower zone of the grade sheet.

Four holes from the 2020 program intersected significant gold mineralization between 20 m to 140 m immediately below the 2015 grade shell. Four other holes intersected gold mineralization approximately 150 m to 225 m down dip of the 2015 grade shell with a fifth one also testing down dip but returning intercepts <17.5 g/t Au * m.

Holes FG-20-387 and 390 were drilled 600-700 m northwest of the most densely drilled part of the Frasergold deposit, though still near a few historical holes. These 2020 holes tested ~100-200 m down dip of historical drilling, intersecting similar geology to the Frasergold deposit but at lower grades. Holes FG-20-388 and 389 were stepped out 300 m to the southeast and returned grades comparable with the NW step outs.

2020 Gold Creek

The 2020 Gold Creek drill program was completed from 11 November to 12 December with one of Paycore's skid-mounted diamond drill rigs. All drilling was done as HQ3-sized core and managed by Karus and their subcontractors.

The program comprised five drill holes for 1,532 m, with holes ranging from 282 m to 329 m in depth. The first two of these holes were drilled at the northwest end of a coincident Au- and As-in-soil anomaly that is contiguous with the Camp zone. The 3rd to 5th holes were drilled at the southeastern end of this anomaly, 2.5 to 3.0 km southeast of the first two holes.

Holes were spotted with a handheld GPS and the drill was aligned with a TN14 gyrocompass. Offsets between the aligned azimuth (depth = 0 m) and the first downhole survey (usually at ~30 m depth) were all <4°, indicating good alignment of the drill prior to drilling. Downhole surveys were done with a Reflex EZ-Shot at 30 m downhole intervals, showing relatively straight holes with deviation rates of +1°-2°/100 m in azimuth +0.5°/100 m in dip.

All five holes were drilled in 1.5 m runs to double the number of core orientation marks. Core was oriented with a Reflex ACT II tool or equivalent with the quality of orientation marks recorded in the structure table and as a separate run-by-run table. Just 35 of 742 runs (5%) could be lined up with a preceding and/or ensuing run, indicating low confidence in orientation data.

Average recovery (89%) is on the low side by industry standards whereas RQD is on average very poor (23%) across a range from poor to very poor (9-38%). These parameters indicate generally fractured ground conditions that can be challenging for drilling.

Post-drilling DGPS/RTK GPS surveys were not done so that final hole positions may have location errors of up to 10 m. This is insignificant for the 100-250 m drill spacing used by Karus for this program.

Logged features include lithology, alteration, mineralization, structures, and veins. Drill core was sampled from top to bottom for all five holes, for a total of 1,433 core samples with sample lengths ranging from 0.3 m to 1.5 m and averaging 1.0 m. An additional 289 QAQC samples (28% CRM, 28% blanks, 44% duplicates) were inserted into the sample stream for an insertion rate of 17% that exceeds industry best practice (e.g. Abzalov, 2008). No specific gravity data was collected.

Each of the three holes (GC-20-42 to 44) drilled at the southeast end of the Au + As anomaly returned 10-50 m long intervals grading between 0.5 g/t to 1.0 g/t Au, whereas the highest metre-scale intercepts fell between 5-10 g/t Au.

These results are in line, to slightly poorer, than historical results. Drilling on the northwestern end of the anomaly returned a best intercept of 0.9 g/t Au over 1.5 m, which fell short of the 5 g/t Au * metre threshold.

Sampling, Analysis, and Data Verification

Core sample preparation, shipment security and analytical methods are summarized below for the 2018 Fall and 2020 drill programs done by Karus.

Sample Preparation and Security

Samples were laid out by the core logging geologist with lengths of 50 cm to 200 cm for the 2018 drilling on Nova zone, and between 30 cm to 150 cm for the 2020 drilling (De Bruyckere, 2020d). Average sample lengths were 1.6 m for 2018 drilling, 1.2 m for 2020 Frasergold drilling, and 1.0 m for 2020 Gold Creek. Core samples were sawn in half with an electrical core saw, with half the sample submitted for analysis and the other half left in the core box for reference. Cut samples were placed in a poly-ethylene bag along with a barcoded sample tag, then zip-tied, bundled into rice bags, sealed with a numbered security tag, and shipped to the analytical lab by Cariboo Trucking Services out of Williams Lake, BC.

Certified reference materials (CRMs) and blanks were each inserted at a rate of 1 for every 20 samples, at CRM: blank ratios of 2:1 for Nova, 3:1 for Frasergold, and 1:1 for Gold Creek. The 2018 program used two multi-element CRMs (CDN-ME-1403, 1414) and a powdered blank (CDN-BL-10), all provided by CDN Resource Laboratories of Langley, BC, ("**CDN Resource Labs**"). Both CRMs have gold certified by fire assay with an atomic absorption spectrometer (AAS) or inductively coupled plasma (ICP) finish, as well as Ag, Cu, Pb and Zn certified through a four-acid digest with an AAS or ICP finish.

The 2020 program used four gold (CDN-GS-1W, 1Z, 4E, P1A) and two multi-element (CDN-ME-1308, 1708) CRMs, all provided by CDN Resource Labs, as well as the same powdered blank. The CRMs contain between 0.143 g/t to 6.96 g/t Au and are all certified for fire assay with an AAS finish. Gold values in CDN-ME-1708 are certified for fire assay with a gravimetric finish (6.85 g/t Au). Both multi-element CRMs are also certified for Ag, Cu, Pb and Zn by four-acid digest with an AAS or ICP finish.

None of the CRMs used by Karus are certified for screen analyses, even though a significant number of these assays are typically done and reported in their press releases. For example, 1382 of the 3105 (or 45%) core samples taken from holes FG-20-368 to 380 were analysed by the screen metallic method.

Field duplicate pairs were quartered with the two quarters submitted as the parent and daughter samples for analysis and leaving half of the core in the core box.

Sample Analyses

Core and QAQC samples from the 2018 drill program were sent to ALS Limited of North Vancouver, BC, whereas those for the 2020 work were analysed at Bureau Veritas Commodities Canada Ltd of Vancouver, BC, ("**BV**"). Details on these labs and methods used are provided below.

2018 Nova

ALS is independent of Karus, accredited under the Standards Council of Canada testing and calibration laboratory accreditation program (LAP, lab no. 579), and meets the General Requirements for the Competence of Testing and Calibration Laboratories (ISO/IEC 17025:2017) as defined by the International Organization for Standardization (ISO). Under LAP, ALS is certified to complete the analytical methods requested by Karus, including the determination of gold by lead collection fire assay and absorption spectrometry (Au-AA), gold and silver by lead collection fire assay and gravimetric finish (Au/Ag-GRA), and multiple elements by four-acid digestion and ICP-AES finish (ME-ICP61).

Samples received at ALS were logged in, crushed to 70% passing <2 mm (ALS code CRU-31), split with a riffle splitter, and then pulverized to 85% passing <75 µm (PUL-31).

Gold analyses were completed by fire assay and atomic absorption spectrometry (AAS) on a 30 g aliquot (Au-AA23). One sample that returned >10 g/t Au for fire assay was re-assayed by gravimetric methods (Au-GRA21).

Multi-element analyses were done with a four acid digestion and ICP-MS (ME-MS61), with ore grade analyses done for samples that returned >100 ppm Ag, >1% Cu, >1% Pb and/or >1% Zn. Ore grade analyses utilized four acid digestion and ICP-AES finish (Ag-OG62, Cu-OG62, Pb-OG62, Zn-OG62).

2020 Frasergold and Gold Creek

BV is independent of Karus, accredited under the Standards Council of Canada testing and calibration LAP (lab no. 720), and meets the General Requirements as defined by the International Organization for Standardization (ISO/IEC 17025:2017). Under LAP, BV is certified to complete gold by lead collection fire assay and absorption spectrometry (FA430/450), gold by lead collection fire assay and gravimetric finish (FA530/550), and screen metallic fire assay (FS552).

Samples received at BV were crushed, split, and pulverized to 250 g passing 200 mesh (BV code PRP70-250).

Gold in all samples was determined by fire assay and AAS on a 50 g aliquot (FA450). Samples that returned >10 g/t Au were re-assayed by gravimetric methods (FA550). Silver assays were determined through 4-acid digestion and an AAS finish (MA401).

Screen metallic assays were done on all mineralized intervals at Frasergold as previous work (Campbell and Giroux, 2015) suggested there is evidence that these assays are generally higher than fire assay with an AAS finish. Results from 2020 drilling, however, do not suggest that this is the case.

Quality Control Quality Assurance Program

The sections below summarize quality control and quality assurance (QAQC) results for the 2018 and 2020 drilling programs. QAQC “failures” are here defined as comprising:

- Single CRMs with Z-scores >+3 or <-3
- Two or more consecutive CRMs with Z-scores >+2 to +3 or <-2 to -3
- Blank returning >10 x the detection limit for Au, Ag.

Z-scores represent the number of standard deviations (σ) that an observed value (x) is from the certified mean (μ), and is calculated by subtracting μ from x and dividing the difference by σ .

2018 Nova

CRM analyses for the 2018 Fall program show one failure for gold. Re-analysis of this standard, along with six pulps, was proposed (Leroux, 2019a) but does not appear to have been completed. The CRM is associated with core samples that returned mostly <5 ppb Au so the failure is here not considered significant.

The very high Z-score (14.1) returned by this sample has a significant effect on the 10-sample moving average, suggesting a strong positive bias in gold analyses in the latter half of the 2018 program. Removing this anomalously high value, however, indicates that the bias is closer to a Z-score of +1 than +2, which is reasonable.

Copper analyses returned two failures associated with core samples that mostly returned <0.05% Cu, with two samples returning ~0.1%. Given the generally low grade of the associated core samples the failures are therefore not considered significant.

All blanks returned <5 ppb Au along with 0.06-0.10 ppm Ag and 89-107 ppm Cu. The results suggest no cross-contamination in analyses. However, the more easily contaminated crushing and pulverizing stages were not evaluated in this program as the blank powders bypass these steps.

Field duplicates returned mostly low gold values, with 14 of 19 pairs reporting at least one assay below detection, so that it is not possible to evaluate the reproducibility of assays. One duplicate pair, however, returned 0.008 g/t and 1.35 g/t, indicating erratic distribution of gold. Copper values, on the other hand, mostly exceed detection limits and show reasonable reproducibility.

2020 Frasergold and Gold Creek

Analytical results for the 2020 core samples include 532 CRM analyses for gold, of which 56 failed the QAQC thresholds as described in the introduction to this section. This CRM failure rate of 11% is high and some of the failed CRMs are linked to mineralized intervals and should have been re-analysed, suggesting Karus does not have standard procedures for re-analysing QC failures. The overall pattern of Z-scores, however, suggests accurate assays without significant bias.

All blanks returned ≤ 12 ppb Au, suggesting no cross-contamination during sample analyses. However, the more easily contaminated crushing and pulverizing stages were not evaluated in this program as the blank powders bypass these steps.

Quarter core duplicate results returned an R2 of 0.90 for all parent and daughter samples but just R2 = 0.44 for duplicate pairs that assayed between 0.005 to 1 g/t Au. The average coefficient of variance for these 140 duplicate pairs is 47%, which falls outside the “acceptable” threshold of 30-40% for field duplicates from coarse- to medium-grained gold deposits (Abzalov, 2008). These results suggest a relatively high variance within Frasergold gold mineralization that should be monitored going forward.

Duplicate from the Gold Creek drilling show even poorer reproducibility, with R2 values of 0.37 for samples between 0.005 and 1 g/t Au and a coefficient of variance of 54%, which again is quite a bit higher than the “acceptable” value suggested by Abzalov (2008). This high variance is related to duplicate pairs that, for example returned assays of 0.083 and 1.65 g/t Au or 0.132 and 1.56 g/t Au.

Analytical Adequacy

Core samples were prepared and shipped at an industry standard level and analyses were done in certified laboratories. The QC failure rate is high but can be reduced by re-analysing failed standards and the core samples linked to them, especially for those failed CRM in mineralized intervals. The variance in field duplicate samples is also high and should be monitored going forward.

Gaps within Karus’ sampling and analytical programs include the lack of follow up work on QC failures, lack of CRMs that monitor metallic screen assays and the use of a powdered blank that bypasses the critical crushing and pulverizing stages. These gaps should be addressed in future sampling programs. We believe that Karus’ analytical data is adequate for the purposes of this report and future exploration targeting but will require rectifying of certain QC failures to be adequate for resource estimation in line with NI 43-101 requirements.

Data Verification

An author of the Technical Report reviewed the digital data for the South Cariboo Property during preparation of this report and conducted a personal inspection of the Property from 10 to 13 November 2020.

Digital Data

Karus provided the authors of the Technical Report with Karus’ digital database for the South Cariboo Property, which was reviewed for completeness and quality. This database included shapefiles, a surface geochemistry database, and a drill hole (DH) database.

The DH database is fragmented and, for all pre-2011 campaigns, includes only collar, DH survey, and assay data. Geological features – like lithology, mineralization, and alteration – were not compiled in this database and, consequently, it is not possible to generate a geological model. Drill programs completed by Karus are adequate in terms of geological detail.

A selection of assays from the 2018 (N = 30) and 2020 (N = 200) programs was compared against the original certificate of analysis (COA) and found to be accurately transcribed. The composites calculated in the Technical Report for holes FG-20-368 to 381 were found to be 5-15% lower than those released by Karus (KORE, 2020c; KORE, 2020b; KORE, 2020a). Karus did not publish their method for integrating assays into composites but likely prioritized the highest assay result for samples with two or more analytical results instead of prioritizing the method, introducing a positive bias to compositing.

Composites for holes FG-20-382 to 390 are the same in and the Karus press release (Karus Gold, 2021a), suggesting that Karus adopted an industry standard method of calculating composites for these particular holes.

The soil database is split between the FG Gold (N = 10,696 samples) and Gold Creek (N = 3,692) areas for a total of 14,388 samples, with little to no data for the claims that stretch between the FG Gold and Gold Creek area. Filed assessment reports include data not currently in the soil compilation (e.g. O'Donnell and Mudry, 1984; Medford, 1989; Mark, 2009).

Drill Sites and Core Storage Area

The FG Gold and Gold Creek drilling areas were visited by an author of the Technical Report on 11 and 13 November, respectively, whereas Karus' core storage area, in Horsefly, BC, was visited on 11 and 12 November.

Seven drill pads were visited at Frasergold, from which nine of the 2020 holes were drilled. Each drill site was snow-covered but marked by a metal stake on which an author of the Technical Report took a handheld GPS measurement. These data were compared to the collar coordinate in Karus' DH database, returning offsets averaging 4.1 m within a range of 1-10 m. This is within the measurement error range of a handheld GPS so that the collar locations are considered adequate for the purposes of this report.

Two outcrops were observed in subvertical, 1-2 m high, road cuts. Both localities comprised crenulated (D3) knotted phyllite with numerous quartz pods and stringers lying within the S0/1 foliation plane, which dips moderately to the southwest.

At Gold Creek, an author of the Technical Report visited the site of current drilling and the proposed site of the next hole. Drilling and pad construction methods appeared to be at industry standard. Discussions with the onsite geology crew suggests that Karus' standard operating procedures are being followed.

At the Horsefly core storage yard, an author of the Technical Report re-logged approximately 40 m each in three different holes (FG-20-369, 377, GC-17-33), for a total of ~120 m. There were no notable differences with company logs for the two Frasergold holes. In the opinion of Voordouw, the prevalence of sulphide-rich breccia along the deformed margins, boudin necks, and fold cores of quartz veins suggests that gold-sulphide mineralization may post-date syn-D1 quartz veins.

GC-17-33 consists mostly of carbonaceous greywacke with extensional-type quartz veins. Greywacke is cut by a green sericite-altered feldspar porphyry dyke, from 22.0 to 23.5 m depth, that historical logging included with the greywacke. This porphyry lies central to the two highest assays within a broader interval of 0.66 g/t Au over 16.3 m, with 2.2 g/t Au in the 0.8 m immediately above the dyke and 3.1 g/t Au in the 1.35 m immediately below.

Assay Verification

Nine samples of quarter core were collected from three drill holes by quartering the half core that was in the box, submitting ¼ for assay and retaining ¼ in the box for reference. Samples were split with a core saw, packed into poly-ethylene bags with a unique sample tag, bundled into a single rice bag secured with a unique security tag, and then hand delivered to ALS Limited in North Vancouver by Equity.

At ALS, samples were logged in, crushed to 70% passing 2 mm (CRU-31), split (SPL-21), and then pulverized to 85% passing 75 µm (PUL-31). Gold analyses were done by fire assay collection with an AAS finish (Au-AA23).

Results of re-analyses show a strong correlation with fire assay results for the original samples, although the Equity duplicates do include significantly higher grades for three samples. Grade differences fall within the realm of expected grade variance for vein gold deposits (e.g. Abzalov, 2008).

Data Adequacy

The results of the data verification demonstrate the data is adequate for the purposes of the report and future exploration targeting.

Pre-Karus data was not reviewed by the authors of the Technical Report as it was not readily available for review. Previous QPs (e.g. Campbell and Giroux, 2015) found this data adequate for mineral resource estimation.

Mineral Processing and Metallurgical Testing

Karus has not completed mineral processing or metallurgical test work for the South Cariboo Property.

Mineral Resources and Mineral Reserve Estimates

Karus has not completed an estimate of mineral resources for the South Cariboo Property.

DEVELOPMENT OF THE BUSINESS

Karus was incorporated as a wholly-owned subsidiary of KORE for the purpose of acquiring a portfolio of early stage mineral exploration properties from KORE. Effective January 25, 2021, pursuant to the Arrangement, Karus acquired all of KORE's interest in the South Cariboo Property, including the FG Gold and Gold Creek projects, all early stage exploration properties located in the Cariboo Gold District, British Columbia.

LONG TERM OBJECTIVES

Karus' strategy is to focus on creating value for the Karus Shareholders through the development of its existing mineral properties, and the potential acquisition of additional mineral properties, for the purpose of mineral exploration and exploitation. At present, Karus is an exploration-stage company with no producing properties and consequently has no current operating income, cash flow or revenues. There is no assurance that a commercially viable mineral deposit exists on any of Karus' properties. Karus' goals include defining and expanding mineral resources, completing technical studies on its projects and advancing the South Cariboo Property and other projects to production on its own or with a partner.

SHORT TERM OBJECTIVES AND HOW WE INTEND TO ACHIEVE THEM

In the next 12 months Karus is planning to use the proceeds of this Offering as well as financing proceeds as follows:

<u>What Karus must do and how Karus will do it</u>	<u>Target completion date or number of months to complete</u>	<u>Cost to complete</u>
Completion of the Offering	December 2021	\$50,000
Completion of the public listing on the TSXV	March 2022	\$100,000

INSUFFICIENT FUNDS

The funds available as a result of the Offering either may not or will not be sufficient to accomplish all of Karus' proposed objectives and there is no assurance that alternative financing will be available. There is no assurance that alternative financing will be available.

MATERIAL AGREEMENTS

The only material agreement is the Arrangement Agreement in respect of the Arrangement, a copy of which is available under Karus' profile on SEDAR at www.sedar.com. At the completion of the Arrangement on January 25, 2021, Karus obtained all of the British Columbia and Yukon gold exploration projects of KORE, and each shareholder of KORE obtained one half Common Share.

INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

COMPENSATION AND SECURITIES HELD

The following table sets out information about each director, officer and promoter of Karus and each person who directly or indirectly beneficially owns or controls 10% or more of any class of voting securities of Karus (a “Principal Holder”).

Name and municipality of principal residence	Positions held (e.g. director, officer, promoter and/or Principal Holder) and the date of obtaining that position	Compensation paid by Karus since inception and the compensation anticipated to be paid in the current financial year⁽⁵⁾	Number and percentage of securities of Karus held before completion of the Offering	Number and percentage of securities of Karus held after completion of Maximum Offering
James Hynes Vancouver, BC	Director Position Held Since: Incorporation (November 20, 2020)	\$91,663	4,434,013 (4.37%) ⁽¹⁾	4,434,013 (4.34%) ⁽¹⁾
Scott Trebilcock Vancouver, BC	Director Position Held Since: Incorporation (November 20, 2020)	\$60,000	2,178,868 (1.96%) ⁽²⁾	2,178,868 (1.95%) ⁽²⁾
David Whittle North Vancouver, BC	Director Position Held Since: March 8, 2021	Nil	306,027 (0.36%)	306,027 (0.36%)
Jessica Van Den Akker Vancouver, BC	Director and Chief Financial Officer Position Held Since: Incorporation (November 20, 2020)	\$51,333	42,060 (0.05%)	42,060 (0.05%)
Andrew Kaip Toronto, ON	Director and Chief Executive Officer Position Held Since: March 8, 2021	\$150,831	2,065,000 (2.45%)	2,065,000 (2.43%)
1130447 BC Ltd. ⁽³⁾	Principal Holder Since: January 25, 2021	Nil	18,254,451 (21.96%)	18,254,451 (21.82%)
2176423 Ontario Ltd. ⁽⁴⁾	Principal Holder Since: January 25, 2021	Nil	22,454,317 (26.61%)	22,454,317 (26.41%)

Notes:

- (1) 4,280 Common Shares are owned directly by Mr. Hynes. 2,216,700 Common Shares are held by 1081646 BC Ltd. (a company owned and controlled by Mr. Hynes), and 1,463,033 Common Shares [held by 1125974 BC Ltd. (a company owned and controlled by Mr. Hynes).
- (2) 309,054 Common Shares are owned directly and an additional 1,347,064 Common Shares are owned by Mr. Trebilcock’s spouse, Anna Lim Hoa.
- (3) 1130447 BC Ltd. is owned and controlled by Skye Marker, Mr. Hynes’ spouse.
- (4) 2176423 Ontario Ltd. is owned and controlled by Eric Sprott.
- (5) No compensation was paid for the comparative period ended December 31, 2020 as Karus was incorporated on November 20, 2020.

MANAGEMENT EXPERIENCE

The directors and officers in the below table manage Karus:

Name	Principal occupations and related experience⁽¹⁾
James Hynes Director	COO and Chairman of KORE until July 2019, Executive Chair of KORE since 2019; Businessman and former Director, Vice President, Operations at Reperio Resources Corp. from December 2006 to September 2016.
Scott Trebilcock Director	CEO of KORE since July 2019, former Chief Development Officer of Nevsun Resources (from October 2009 to December 2018) and VP Corporate Development for Nautilus Minerals from 2007 to 2009.
David Whittle Director	Independent Director of public companies primarily in the resource sector, during the last five years with Mountain Province Diamonds Inc., Alio Gold Inc., Viva Gold Corp, Treasury Metals Inc. and Kalo Gold Corp., and Interim CEO of Mountain Province from June 2017 to May 2018.
Jessica Van Den Akker Chief Financial Officer and Director	CFO of KORE since February 2019; CFO and Vice President of Corporate Finance at Fiore Management & Advisory Corp. (a private financial advisory firm) from Jan 2017 to Jan 2020; Fund Accountant at Sentient Asset Management Australia Pty Ltd. from Apr 2016 to Dec 2016, VP Finance at Ferrometals Management Services Canada Ltd. (a private mining solutions firm) from Sep 2014 to Mar 2016.
Andrew Kaip Chief Executive Officer and Director	CEO of Karus Gold since March 2021. Independent consultant from January 2020 to February 2021. Managing Director of BMO Capital Markets from April 2009 to November 2019.

Note:

(1) The information as to principal occupation, business or employment may not be within the knowledge of the management of Karus and has been furnished by the respective nominees.

PENALTIES, SANCTIONS AND BANKRUPTCY

No director, executive officer or control person of Karus (collectively, an “**Insider**”) or any issuer in which an Insider was a director, executive officer or control person, has during the last 10 years:

- been subject to any penalty or sanction or any cease trade order that has been in effect for a period of more than 30 consecutive days; or
- made a declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors, or appointed a receiver, receiver-manager or trustee to hold assets.

LOANS

As of the date of this Offering Memorandum, no debentures or loans owed by Karus to, nor owed to Karus from, any of its respective directors, management, promoters and/or Principal Holders.

CAPITAL STRUCTURE

SHARE CAPITAL

The following table summarizes information about the outstanding securities of Karus, including securities convertible into voting securities.

[Description of security]	Number authorized to be issued	Price per security	Number outstanding as at November 15, 2021	Number outstanding after Min. Offering	Number outstanding assuming completion of Max. Offering
Common Shares	unlimited	N/A	84,367,913	84,367,913	84,913,368
Warrants ⁽¹⁾	unlimited	\$0.79	2,904,155	2,904,155	3,176,883
Options		\$0.25	4,320,000	4,320,000	4,320,000
Restricted Share Unit		\$0.25	2,605,000	2,605,000	2,605,000

Note:

(1) Based on weighted average of total warrants outstanding.

LONG TERM DEBT

Karus does not have any outstanding debt.

PRIOR SALES

During the 12 months prior to the date of this Offering Memorandum, Karus has issued the following securities.

Date of Issuance	Type of Security Issued	Number of Securities Issued	Price per Security	Total Funds Received
January 25, 2021	Common Shares	53,112,456 ⁽¹⁾	N/A	Nil
January 25, 2021	Warrants	1,750,000 ⁽²⁾	N/A	Nil
March 7, 2021	Options	4,320,000 ⁽³⁾	N/A	Nil
March 7, 2021	Restricted Share Unit	2,605,000 ⁽⁴⁾	N/A	Nil
March 16, 2021	Common Shares	2,300,000	\$0.25	\$575,000.00
March 17, 2021	Common Shares	26,556,228	\$0.15	\$3,983,434.20
September 2, 2021	Common Shares	1,529,929	\$0.55	\$841,460.95
September 2, 2021	FT Share	47,027	\$0.73	\$34,329.71
September 2, 2021	Warrants ⁽⁵⁾	788,475	\$0.85	\$670,203.75
September 10, 2021	FT Share	731,364	\$0.73	\$533,895.72
September 10, 2021	Warrants ⁽⁵⁾	365,681	\$0.85	\$310,828.85
October 1, 2021	Common Shares ⁽⁶⁾	90,909	\$0.55	\$49,999.95

Notes:

(1) Issued pursuant to the Arrangement.

(2) Warrants have an exercise price of \$0.75 and 1,500,000 expire on July 22, 2022 and 250,000 on July 27, 2022.

(3) Options have an exercise price of \$0.25, a term of five years and vesting in various tranches through 2023..

(4) RSUs vest through 2023 and have five years to be settled or converted to shares of Karus.

(5) Warrants have an exercise price of \$0.85 and 788,475 expire September 2, 2023 and 365,681 expire September 10, 2023.

(6) Common Shares issued pursuant to the terms of an option agreement to acquire 100% interest in the Hen Property.

SECURITIES OFFERED

TERMS OF SECURITIES

The Offering is for up to 545,455 Units, with each Unit consisting of one Common Share and one-half of one Warrant.

Future Issuances of Common Shares below the Subscription Price

If at any time and from time to time after the Issue Date, and for so long as the Company is not a public company having its Common Shares listed and posted for trading on a stock exchange or quotation service (the “**Adjustment Period**”), the Company shall agree to issue or actually issue any Common Shares to any person or entity at a price per Common Share (the “**Lower Per Share Price**”) which shall be less than the per share purchase price of initially \$0.55, as adjusted for stock splits, dividends and reclassifications, (the “**Per Share Price**”) then in effect (“**Lower Price Issuance**”), then, automatically and without any obligation of or notice to the Subscriber, the Company shall issue to the Subscriber such number of additional Common Shares (the “**Additional Shares**”) as equals the difference between (x) (i) the Subscription Price paid for the Units hereunder divided by (ii) the Lower Per Share Price, less (y) the number Common Shares previously issued to the Subscriber. Thereafter, and for purposes of calculating future adjustments or issuances of Additional Shares, the Per Share Price shall be amended and revised to be the Lower Per Share Price for purposes of future calculations of this adjustment. No fractional Common Shares will be issued and no money will be returned to any Subscriber as a result of any amounts in respect of any subscription which do not equal a whole Additional Share. Certificates for Additional Shares shall be unconditionally delivered and issued in electronic book entry form to the broker dealer or custodian designated by the Subscriber within 5 business days of the date of the Lower Price Issuance of Common Shares. Notwithstanding the foregoing, and for avoidance of doubt, adjustments and issuance of Additional Shares shall only be issued and granted if and to the extent that Shareholders hold Common Shares at the time of issuance. Notwithstanding the foregoing, the number of Additional Shares that are issuable to such Subscriber shall, when combined with all Common Shares then held by such Subscriber, not exceed 9.9% of the Company’s outstanding Common Shares at the date of this Agreement.

Terms of Warrants

Each whole Warrant will be exercisable to acquire one Common Share at a price of \$0.85 per Common Share until the date which is 24 months following the Closing Date. Each of the Warrants does not carry any voting rights, rights of redemption or retraction, or rights to interest or dividends.

Terms of Common Shares

Voting Rights or Restrictions on Voting

Holders of Common Shares are entitled to receive notice of and to attend and vote at all meetings of the holders of Common Shares and each of the Common Shares confers the right to one vote in person or by proxy at all meetings of holders of Common Shares. There are no special rights or restrictions in respect of the Common Shares.

Conversion or Exercise Price and Date of Expiry

The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions. When fully paid, the Common Shares will not be liable to further call or assessment.

Interest Rates or Dividend Rates

Subject to the BCBCA, holders of Common Shares are entitled to receive such dividends in any financial year as the board of directors of Karus and holders of Common Shares may by resolution determine.

SUBSCRIPTION PROCEDURE

Each prospective and qualified Investor who desires to subscribe for Securities must:

- (a) complete and sign the form of Subscription Agreement prescribed by Karus from time to time (the “**Subscription Agreement**”) specifying the number of Units being subscribed for (Karus reserves the right to use different forms of Subscription Agreements for different subscribers);
- (b) deliver certified cheques, bank drafts, or other methods of payment in a form acceptable to Karus in the amount of the aggregate Subscription Price payable for the Units, in accordance with the payment instructions set out in the Subscription Agreement; and
- (c) deliver the Subscription Agreement and any other forms, declarations and documents as required by Karus to complete the subscription.

All documents and the accompanying payment (unless submitted by wire transfer) must be delivered to:

Karus Gold Corp.
960 - 1055 West Hastings Street
Vancouver, BC V6E 2E9
Attention: Jessica Van Den Akker
Email: jessica@karusgold.com

No financing of the Subscription Price will be provided by Karus. **Please note that all wire transfers and other acceptable forms of payment must clearly reference the name of the Investor.**

Subscriptions will be considered and accepted in whole or in part (subject to compliance with applicable securities laws), by Karus. Karus may complete the Offering in one or more Closings, at such times, from time to time, in its sole discretion.

The Subscription Price is payable in full when you subscribe.

Where required under NI 45-106 the tendered Subscription Price will be held in trust until midnight on the second business day after the Investor signs a Subscription Agreement. Closings may occur on a continuous basis.

Acceptance of Subscriptions

Karus reserves the right to close the subscription books at any time without notice. Confirmation of the acceptance of a subscription will be forwarded by Karus to the Investor in accordance with the directions provided in the Subscription Agreement. Karus is not obligated to accept any subscriptions and, without limiting the foregoing, Karus will reject any subscription which Karus considers to be not in compliance with applicable securities laws and regulations.

Qualified Investors

Karus is offering for sale a maximum of \$300,000 of Securities in British Columbia and Alberta under the exemption from the prospectus requirement afforded by Section 2.9 of NI 45-106. The prospectus exemption under Section 2.9 of NI 45-106 is available for distributions to Investors, purchasing as principals, who receive this Offering Memorandum before signing the Subscription Agreement and who sign a risk acknowledgement in the prescribed form.

INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you.

Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.

COMPENSATION PAID TO SELLERS AND FINDERS

No person has or will receive any commission, corporate finance fee, finder's fee or similar compensation in connection with the Offering.

If you acquire Securities through a third party registered dealer or sales agent or on the recommendation of your advisor, then you may be responsible for any commissions or fees that you negotiate between yourself and your dealer, agent or advisor.

RISK FACTORS

Prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the financial position or results of operations of Karus, cash available for distributions and the value of their investment in Karus. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that the Karus will meet its investment objectives or otherwise be able to successfully carry out its investment program. Karus' returns may be unpredictable and, accordingly, Karus' investment program is not suitable as the sole investment vehicle for an investor. An investor should only invest in Karus as part of an overall investment strategy and only if they are prepared to have their money invested for a long period of time and have the capacity to bear the loss of some or all of their investment. No assurances are given regarding the future performance of Karus. There can be no assurance that Karus' rate of return objectives will be realized or that significant losses will not occur.

The operations of Karus 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' capital requirements. These are not the only risks and uncertainties that Karus faces. Additional risks and uncertainties not presently known to Karus or that Karus currently considers immaterial may also impair its business operations. These risk factors could materially affect Karus' future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to Karus. The holding of Karus Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume risks and who have no need for immediate liquidity in their investment. Karus Shares should not be held by persons who cannot afford the possibility of the loss of their entire investment, and an investment in the securities of Karus should not constitute a major portion of an investor's portfolio.

INVESTMENT RISKS

High Risk, Speculative Nature of Investment

An investment in the Common Shares carries a high degree of risk and should be considered speculative by purchasers. We have no history of earnings, have limited cash reserves, a limited business history, have not paid dividends, and are unlikely to pay dividends in the immediate or near future.

No Established Market

There is currently no market through which our securities may be sold and purchasers may not be able to resell the Common Shares purchased under this Offering Memorandum. Even if a market develops, there is no assurance that the price of the Common Shares offered under this Offering Memorandum, will reflect the market price of the Common Shares once a market has developed. There is no assurance that the Company will ever list or that a market will ever develop.

Limited Operating History

We have no history of earnings and very little operating history. There are no known commercial quantities of mineral reserves on the Property. The purpose of the Offering is to raise funds to assist the Company with its public listing which also will require additional financing to carry out exploration and, if thought appropriate, development with the objective of establishing economic quantities of mineral reserves. There is no guarantee that economic quantities of mineral reserves will be discovered on any properties optioned or obtained by Karus in the near future or at all. If we do not generate revenue, we may be unable to sustain our operation in which case we may become insolvent and investors may lose their investment.

Liquidity Concerns and Future Financing Requirements

We have no source of operating revenue. It is likely we will operate at a loss until we are able to put a mineral property into production, and there is no guarantee we will be able to do so (see “*Speculative nature of mining exploration and development*”). We may require additional financing in order to fund our businesses or business expansion. Our ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as our business success. There can be no assurance that we will be successful in our efforts to arrange additional financing on terms satisfactory to us, or at all. If additional financing is raised by the issuance of Common Shares from treasury, control of Karus may change, and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, we may not be able to operate our businesses at their maximum potential, to expand, to take advantage of other opportunities, or otherwise remain in business.

Uncertainty of Use of Proceeds

Although we have set out our intended use of proceeds from this Offering, the same are estimates only and subject to change. While management does not contemplate any material variation, management does retain broad discretion in the application of such proceeds. See “Forward Looking Statements” for more details.

No Regulatory Authority Review

Purchasers of the Common Shares will not have the benefit of a review of this Offering Memorandum by any regulatory authority.

ISSUER RISKS

Speculative nature of mining exploration and development

The exploration for and development of mineral deposits involves significant risks. Few properties that are explored are ultimately developed into producing mines. Major expenses are typically required to locate and establish mineral reserves. Substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Development of Karus’ mineral projects will only follow upon obtaining satisfactory results, which there are no guarantee will occur or be obtained. Exploration and development of natural resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. There is no assurance that Karus’ exploration and development activities will result in any discoveries of commercial bodies of ore. There is also no assurance that, even if commercial quantities of ore are discovered, any of Karus’ mineral projects will be brought into commercial production. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as attributes of the deposit, accuracy of estimated size, continuity of mineralization, average grade, proximity to infrastructure, availability and cost of water and power, cost of labour, anticipated climatic conditions, commodity prices which are highly cyclical; and government regulations, including regulations relating to prices,

taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted but the combination of these factors may result in Karus being unable to receive an adequate return on invested capital. The processes of exploration, development and operations also involve risks and hazards, including environmental hazards, industrial accidents, labour disputes, unusual or unexpected geological conditions or acts of nature. These risks and hazards could lead to events or circumstances, which could result in the complete loss of a project or could otherwise result in damage or impairment to, or destruction of, mineral properties and future production facilities, environmental damage, delays in exploration and development interruption, and could result in personal injury or death. Although Karus evaluates the risks and carries insurance policies to mitigate the risk of loss where economically feasible, not all of these risks are reasonably insurable and insurance coverages may contain limits, deductibles, exclusions and endorsements. Karus cannot assure that its coverage will be sufficient to meet its needs. Such a loss may have a material adverse effect on Karus.

Mining is a high-risk business

Karus' principal operation will be the exploration for and the mining of base metals. Its operations will be subject to all of the hazards and risks normally encountered in the mining and processing of minerals. These include unusual and unexpected geological formations, rock falls, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to or loss of life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, operations are subject to hazards, which may result in environmental pollution and consequent liability which could have a material adverse effect on the business, operations and financial performance of Karus. As is common with all mining operations, there is uncertainty and therefore risk associated with Karus' operating parameters and costs. These can be difficult to predict and are often affected by factors outside Karus' control.

Risks relating to Karus' ability to raise funding to continue its exploration, development and mining activities

Karus has no revenues from operations and has recorded losses since inception. Karus expects to incur operating losses in future periods due to continuing expenses associated with general and administrative costs, costs of seeking new business opportunities, and advancing the FG Gold and Gold Creek Projects. Karus has finite financial resources and its ability to achieve and maintain profitability and positive cash flow is dependent upon its ability to:

- generate revenues in excess of expenditures;

- Reduce costs in the event revenues are insufficient; and

- secure near and long-term financing.

Karus may rely on a combination of equity and debt financing to meet its capital requirements. Additional funds raised by Karus through the issuance of equity or convertible debt securities will cause current Karus Shareholders to experience dilution. Such securities may grant rights, preferences or privileges senior to those of the Karus Shareholders.

Karus does not have any contractual restrictions on its ability to incur debt and accordingly, Karus could incur significant amounts of indebtedness to finance its operations. Any such indebtedness could contain covenants, which would restrict Karus' operations.

Karus may need to pursue alternative ways to finance its future operations as it develops the FG Gold and Gold Creek Projects and seeks new business opportunities. There are no assurances or guarantees that any financing alternative will be successful. There is no certainty that additional financing either through traditional equity and debt financing arrangements or an alternative transaction, or any combination thereof, will be available at all or on acceptable terms.

Karus has not had a separate operating history as a stand-alone entity

Karus has only recently become an independent company from KORE. The operating history of KORE cannot be regarded as the operating history of Karus. The ability of Karus to raise capital, satisfy its obligations and provide a return to its shareholders will be dependent on future performance. It will not be able to rely on the capital resources and cash flows of KORE.

Karus may be unable to make the changes necessary to operate as an independent entity and may incur greater costs.

Karus may not be able to implement successfully the changes necessary to operate independently. Karus may incur additional costs relating to operating independently from KORE that could materially negatively affect its cash flows and results of operations. Karus may require KORE to provide Karus with certain services, facilities and/or financing on a transitional basis. Karus may, as a result, be dependent on such services and facilities until it is able to provide or obtain its own services, facilities and/or capital.

Karus has not defined any proven or probable reserves and none of its mineral properties are in production or under development

Karus is an exploration company and all of its properties are in the exploration stage. Karus has not defined or delineated any measured resources or proven or probable reserves on any of its properties.

No history of dividends

Karus has not paid a dividend on the Karus Shares since incorporation. Karus intends to continue to retain earnings and other cash resources for its business. Any future determination to pay dividends will be at the discretion of the Karus Board and will depend upon the capital requirements of Karus, results of operations and such other factors as the Karus Board considers relevant.

Joint ventures

Karus may enter into joint venture arrangements with regard to future exploration, development and production properties (including potentially Karus' concessions). There is a risk any future joint venture partner does not meet its obligations and Karus may therefore suffer additional costs or other losses. It is also possible that the interests of Karus or future joint venture partners are not aligned resulting in project delays or additional costs and losses. Karus may have minority interests in the companies, partnerships and ventures in which it invests and may be unable to exercise control over the operations of such companies.

Conflicts of interest

Certain of the directors and/or officers of Karus also serve as directors and/or officers of other companies, including KORE, involved in natural resource exploration, development and mining operations and consequently there exists the possibility for such directors to be in a position of conflict. Any decision made by any of such directors and/or officer will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of Karus and Karus Shareholders. In addition, each director is required to declare and refrain from voting on any matter in which such director may have a conflict of interest in accordance with the procedures set forth in the BCBCA and other applicable laws.

Additional financings may result in dilution

Karus may require additional funds to further its activities and objectives. To obtain such funds, Karus may issue additional securities, including Karus Shares or securities convertible into or exchangeable for Karus Shares. As a result, Karus' shareholders could be substantially diluted. In addition, there can be no assurance that Karus will be able to obtain sufficient financing in the future on terms favourable to Karus or at all.

INDUSTRY RISKS

Political and regulatory risks

Any changes in government policy may result in changes to laws affecting ownership of assets, mining policies, monetary policies, taxation, royalty rates, rates of exchange, environmental regulations, labour relations and return of capital. This may affect both Karus' ability to undertake exploration and development activities in respect of present and future properties in the manner currently contemplated, as well as its ability to continue to explore, develop and operate those properties in which it has an interest or in respect of which it has obtained exploration and development rights to date. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

Government regulation risk

The development and exploration activities of Karus are subject to various laws governing prospecting, development, production, exports, imports, taxes, labour standards and occupational health and safety, mine safety, toxic substances, waste disposal, environmental protection and remediation, protection of endangered and protected species, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could have an adverse effect on Karus' financial position. Amendments to current laws, regulations and permits governing development activities and activities of mining and exploration companies, or more stringent or different implementation, could have a material adverse impact on Karus' financial position, or could require abandonment or delays in the development of new mining properties. Failure to comply with any applicable laws, regulations or permitting requirements may result in enforcement actions against Karus, including orders issued by regulatory or judicial authorities causing development or exploration activities to cease or be curtailed or suspended, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Karus could be forced to compensate those suffering loss or damage by reason of its processing, development or exploration activities and could face civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Any such regulatory or judicial action could materially increase Karus' operating costs and delay or curtail or otherwise negatively impact Karus' activities.

Permitting

Karus' development and exploration activities are subject to receiving and maintaining licenses, permits and approvals (collectively, "**Permits**") from appropriate governmental authorities. Before any development on any of its properties Karus must receive numerous Permits. Karus may be unable to obtain on a timely basis or maintain in the future all necessary Permits to explore and develop its properties, commence construction or operation of mining facilities and properties or maintain continued operations. Delays may occur in connection with obtaining necessary renewals of Permits for Karus' existing operations and activities, additional Permits for existing or future operations or activities, or additional Permits associated with new legislation. It is possible that previously issued Permits may become suspended or revoked for a variety of reasons, including through government or court action. Karus can provide no assurance that it will continue to hold or obtain, if required to, all Permits necessary to develop or continue operating at any particular site, which could adversely affect its operations.

Title defects or claims may affect development projects and future acquisitions

Title to Karus' properties may be challenged or impugned. Karus' mining properties may be subject to prior unregistered agreements, transfers or subject to challenge by private parties. Claims and title may be affected by, among other things, undetected defects. A determination of defective title or a challenge to title rights could impact Karus' existing exploration and development projects and future acquisitions.

Indigenous Peoples' claims and rights to consultation and accommodation may affect Karus' existing properties as well as future acquisitions.

Governments in many jurisdictions may consult with Indigenous Peoples' with respect to grants of mineral rights and the issuance or amendment of project authorizations. These requirements are subject to change from time to time. As an example, the Government of British Columbia has recently introduced legislation to implement the United Nations Declaration on the Rights of Indigenous Peoples in British Columbia. Consultation and other rights of Indigenous Peoples may require accommodations, including undertakings regarding financial compensation, employment and other matters in impact and benefit agreements. This may affect the Company's ability to acquire within a reasonable time frame effective mineral titles or environmental permits in these jurisdictions, including in some parts of Canada in which Aboriginal title is claimed, and may affect the timetable and costs of development of mineral properties in these jurisdictions. The risk of unforeseen Indigenous Peoples' claims or grievances also could

affect existing operations as well as development projects and future acquisitions. These legal requirements and the risk of Indigenous Peoples' opposition may increase our operating costs and affect our ability to expand or transfer existing operations or to develop new projects.

Environmental risks and hazards

All phases of Karus' exploration and mining operations are subject to environmental regulation in the jurisdictions in which they operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set out limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will likely, in the future, require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the mining operations. Environmental hazards may exist on the properties which are unknown at present which have been caused by previous or existing owners or operators of the properties. Karus may become liable for such environmental hazards caused by previous owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Commodity price risk

The price of Karus' common shares, financial results and exploration, and development and mining activities in the future may be materially adversely affected by declines in the price of gold which fluctuates widely and are affected by numerous factors beyond Karus' control.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, terrorism, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect Karus' operations, financial condition and results of operations.

Competition

Karus faces competition from a number of large established companies with greater financial and technical resources than Karus. Karus competes with these other mining companies for the recruitment and retention of qualified directors, professional management, employees and contractors. There is also significant and increasing competition for a limited number of suitable properties and resource acquisition opportunities and, as a result, Karus may be unable to acquire such mining properties which it desires on terms it considers acceptable.

Dependence on good relations with employees

The success of Karus' operations depends on the skills and abilities of its employees. There is intense competition for engineers, geologists and persons with mining expertise. The ability of Karus to hire and retain engineers, geologists and persons with mining expertise is key to the mining operations. Further, relations with employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in the jurisdictions in which the mining operations are conducted. Changes in such legislation or otherwise in Karus' relationships with its employees may result in strikes, lockouts or other work stoppages, any of which could have a material adverse effect on the mining operations, results of operations and financial condition.

Lack of availability of resources

Mining exploration requires ready access to mining equipment such as drills, and crews to operate that equipment. There can be no assurance that such resources will be available to Karus on a timely basis or at a reasonable cost. Failure to obtain these resources when needed may result in delays in Karus' exploration programs.

Management

The success of Karus will be largely dependent on the performance of its board of directors and its senior management. The loss of any of these individuals may have a materially adverse effect on Karus' business and prospects. There is no assurance Karus can maintain the services of its board of directors and management or other qualified personnel required to operate its business. Failure to do so could have material adverse effects on Karus and its prospects.

Key personnel

Recruiting and retaining qualified personnel is critical to Karus' success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As Karus' business activity grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff on the operations side. Although Karus believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Property commitments

The properties held by Karus may be subject to various land payments, royalties and/or work commitments. Failure by Karus to meet its payment obligations or otherwise fulfill its commitments under these agreements could result in the loss of related property interests.

Change in climate conditions

Governments are moving to introduce climate change legislation and treaties at the international, national, state/province and local levels. Regulation relating to emission levels (such as carbon taxes) and energy efficiency is becoming more stringent. If the current regulatory trend continues, Karus expects that this will result in increased costs. In addition, physical risk of climate change may also have an adverse effect on Karus' operations. These risks include: extreme weather events, and resource shortages due to disruption of equipment and supplies required on site. Karus can provide no assurance that efforts to mitigate the risks of climate changes will be effective and that the physical risks of climate change will not have an adverse effect on its operations.

REPORTING OBLIGATIONS

As a reporting issuer in the Provinces of British Columbia and Alberta, Karus is required by applicable securities laws to provide, among other items, annual audited financial statements, quarterly interim financial, and accompanying management discussion and analysis to its security holders in the form and at the times prescribed by applicable securities laws. To obtain the aforementioned documents, and any other prescribed documentation, please see Karus' SEDAR profile at www.sedar.com.

RESALE RESTRICTIONS

The following is a summary only and is not intended to be exhaustive. Investors are advised to consult with their legal advisors concerning restrictions on resale, and are further advised against attempting to resell their Securities until they have determined that any such resale is in compliance with the requirements of applicable legislation.

GENERAL STATEMENT - FOR TRADES IN ALBERTA, BRITISH COLUMBIA, NEW BRUNSWICK, NEWFOUNDLAND AND LABRADOR, NORTHWEST TERRITORIES, NOVA SCOTIA, NUNAVUT, PRINCE EDWARD ISLAND, QUÉBEC, SASKATCHEWAN AND YUKON

These Securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the Securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

RESTRICTED PERIOD - FOR TRADES IN ALBERTA, BRITISH COLUMBIA, NEW BRUNSWICK, NEWFOUNDLAND AND LABRADOR, NORTHWEST TERRITORIES, NOVA SCOTIA, NUNAVUT, PRINCE EDWARD ISLAND, QUÉBEC, SASKATCHEWAN AND YUKON

Unless permitted under securities legislation, you cannot trade the Securities before the date that is 4 months and a day after the distribution date.

PURCHASER'S RIGHTS

If you purchase these Securities you will have certain rights, some of which are described below. For information about your rights, you should consult a lawyer.

TWO DAY CANCELLATION RIGHT

You can cancel your agreement to purchase these Securities. To do so, you must send a notice to us by midnight on the second business day after you sign the agreement to buy the Securities.

STATUTORY RIGHTS OF ACTION IN THE EVENT OF A MISREPRESENTATION FOR INVESTORS IN BRITISH COLUMBIA

In addition to any other right or remedy available to you at law, if there is a misrepresentation in this Offering Memorandum, then you have a statutory right to sue in British Columbia (if you are in British Columbia), or in Alberta, Manitoba, Nova Scotia, Newfoundland and Labrador, or Yukon (as the case may be). If there is a misrepresentation in the offering memorandum, you have a statutory right to sue:

- Karus to cancel your agreement to buy these Securities; or
- for damages against Karus, and every person who was a director of Karus at the date of this Offering Memorandum and any other person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days of the transaction or commence your action for damages within the earlier of: (i) 180 days after learning of the misrepresentation, or (ii) three years after the transaction.

DEFINITIONS

In this Offering Memorandum when we use the terms such as **Investor** or **you** we are referring to a person who purchases Securities under the Offering. When we use expressions such as “our business”, we are referring to the business of Karus, as a whole.

All dollar amounts stated in this Offering Memorandum are expressed in Canadian currency, except where otherwise indicated. Words importing the singular number only, include the plural and vice versa, and words importing the masculine, feminine or other gender include the other genders.

Except as defined elsewhere in this Offering Memorandum the following are the defined terms and abbreviations used in this Offering Memorandum:

Additional Shares	has the meaning ascribed thereto under the section entitled “Terms of Securities – Future Issuances of Common Shares below the Subscription Price”.
Adjustment Period	has the meaning ascribed thereto under the section entitled “Terms of Securities – Future Issuances of Common Shares below the Subscription Price”.
Arrangement	means the arrangement under Division 5 of Part 9 of the BCBCA which completed on January 25, 2021 pursuant to which Karus acquired all of KORE’s interest in the South Cariboo Property, including the FG Gold and Gold Creek projects, all early stage exploration properties located in the Cariboo Gold District, British Columbia.
Arrangement Agreement	means the arrangement agreement dated as of December 16, 2020 between KORE and Karus in respect of the Arrangement.
BCBCA	means the British Columbia <i>Business Corporations Act</i> , SBC 2002, c 57, as amended, including the regulations promulgated thereunder.
Closing	has the meaning ascribed thereto on the cover page of this Offering Memorandum.
Closing Date	means each date on which a Closing occurs.
Common Share	the meaning ascribed thereto on the cover page of this Offering Memorandum.
FG Gold	means the 100% owned FG Gold project located on the South Cariboo Property in British Columbia, Canada.
FG Gold Project	means the 100% owned FG Gold project located on the South Cariboo Property in British Columbia, Canada.
Gold Creek	means the 100% owned Gold Creek project located on the South Cariboo Property in British Columbia, Canada.
Gold Creek Project	means the 100% owned Gold Creek project located on the South Cariboo Property in British Columbia, Canada.
Insider	has the meaning ascribed thereto under the section entitled “Penalties, Sanctions and Bankruptcy”.
Investors	means, collectively, the persons who purchase the Securities under the Offering and Investor or you means any one of them.
Karus	means Karus Gold Corp.
KORE	means KORE Mining Ltd.

Lower Price Issuance	has the meaning ascribed thereto under the section entitled “Terms of Securities – Future Issuances of Common Shares below the Subscription Price”.
NI 43-101	means National Instrument 43-101 – <i>Standards of Disclosure for Mineral Projects</i> of the Canadian Securities Administrators.
NI 45-106	means National Instrument 45-106 - <i>Prospectus Exemptions</i> adopted by the Canadian Securities Administrators.
Offering	has the meaning ascribed thereto on the cover page of this Offering Memorandum.
Per Share Price	has the meaning ascribed thereto under the section entitled “Terms of Securities – Future Issuances of Common Shares below the Subscription Price”.
person	means an individual, partnership, limited partnership, corporation, unlimited liability company, trust, unincorporated organization, association, government or any department or agency thereof and the successors and assigns thereof or the heirs, executors, administrators or other legal representatives of an individual.
Principal Holder	means a holder of a security of Karus that holds 10% or more of any class of voting securities of Karus.
Property	means the South Cariboo Property
Securities	has the meaning ascribed thereto on the cover page of this Offering Memorandum.
South Cariboo Property	means Karus’ 121 mineral claims in two nearby blocks within the Cariboo Mining Division of central British Columbia, covering 99,778 hectares (998 km ²), centred at 52° 23’N latitude and 120° 54’ W longitude, encompassing but not limited to the FG Gold Project and Gold Creek Project
South Cariboo Property Technical Report	means the report entitled “Technical Report on the South Cariboo Property, British Columbia, Canada” effective June 10, 2021 and dated November 26, 2021.
Subscription Agreement	has the meaning ascribed thereto under the section entitled “Subscription Procedure”.
Subscription Price	has the meaning ascribed thereto on the cover page of this Offering Memorandum.
Tax Act	means the <i>Income Tax Act</i> (Canada), RSC 1985 c. 1 5 th Supp., as amended from time to time, including the regulations promulgated thereunder.
Technical Report	Means the South Cariboo Property Technical Report.
Units	has the meaning ascribed thereto on the cover page of this Offering Memorandum.
Warrant	has the meaning ascribed thereto on the cover page of this Offering Memorandum.

FINANCIAL STATEMENTS

See attached.

KARUS GOLD CORP.

Financial Statements

For the period from incorporation to December 31, 2020

Independent auditor's report

To the Directors of Karus Gold Corp.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Karus Gold Corp. (the Company) as at December 31, 2020, and its financial performance and its cash flows for the period from November 20, 2020 to December 31, 2020 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of cash flows for the period from November 20, 2020 to December 31, 2020;
- the statement of changes in shareholder's equity for the period from November 20, 2020 to December 31, 2020; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2021

As at	December 31, 2020	
	Note	
Assets		
Current assets		
Cash		\$ 1
Total Assets		\$ 1
Shareholder's Equity		
Share Capital	4	\$ 1
Total Shareholder's Equity		\$ 1

Nature of operations (Note 1)
Subsequent events (Note 5)

Approved by the Board of Directors:

“James Hynes”

Director

“Andrew Kaip”

Director

For the period from
incorporation on
November 20, 2020 to
December 31, 2020

FINANCING ACTIVITIES

Share issued for cash	\$	1
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1

Change in cash		1
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Cash at beginning of period		-
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Cash at end of period	\$	1
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	Number of Common Shares	Share Capital	Total Shareholder's Equity
Balance, November 20, 2020	- \$	- \$	-
Shares issued for cash on incorporation	1	1	1
Balance, December 31, 2020	1 \$	1 \$	1

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 that were spun out from KORE Mining Ltd. (“KORE”) described in more detail in Note 5. 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.

The Company’s continuing operations are dependent upon its ability to identify, evaluate and negotiate an acquisition of or participation in an interest in properties, assets or businesses. The Company’s operations have been funded initially by a loan of up to \$500,000 from KORE that took place concurrent with the spin out of the Canadian exploration assets of KORE into the Company and the distribution of the shares of the Company to the shareholders of KORE (“Spin Out Transaction”) (Note 5). Subsequent to the Spin Out Transaction, the Company raised \$3,983,434 from a rights offering (Note 5) which is projected to be sufficient to maintain its operations for at least twelve months from December 31, 2020. However, the Company will need to raise additional capital to meet its longer term objectives and there can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Basis of Measurement

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

The financial statements have been authorized for issue by the Board of Directors of the Company on April 29, 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments – Recognition and Measurement

The Company classified its financial assets and liabilities in the following measurement categories – i) those to be subsequently measured at amortised 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.

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. 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 calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. 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 Capital

The Company’s common shares are classified as equity instruments. Costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

4. 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.

Subsequent to December 31, 2020, the Company completed its spinout with KORE and issued additional shares (Note 5).

5. SUBSEQUENT EVENTS

Spinout

The Company entered into an Arrangement Agreement dated December 16, 2020 (“Arrangement Agreement”) with KORE whereby KORE, pursuant to a Plan of Arrangement, will spin-out the Company, which was a wholly owned subsidiary as of December 31, 2020. KORE re-organized such that all of its Canadian mineral property interests (“Spin-off Exploration Assets”) were transferred to the Company and, upon receipt of KORE shareholder approval in January 2021, distributed 53,112,456 shares of the Company to the shareholders of KORE as a return of capital by way of a plan of arrangement. The Company also issued 1,750,000 warrants to KORE warrant holders with an exercise price of \$0.75 until July 2022. In connection with the spinout, the Company issued a 2% NSR to KORE and received a \$500,000 loan (bearing interest at 8%), which it fully repaid with proceeds from the rights offering.

In connection with the spinout and KORE shareholder approval, the Company adopted a stock option plan (“Option Plan”) for directors, officers, employees and consultants where 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 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. The Company also adopted an omnibus plan (“Omnibus Plan”), which is a fixed plan that reserves for issuance a maximum of 5,311,246 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 plan may be granted in a form as designated by the Board, including restricted share units, deferred share units and other performance based instruments.

Rights offering

In March 2021, the Company completed a rights offering raising gross proceeds of \$3,983,434, issuing 26,556,228 common shares at a subscription price of \$0.15 per share to current shareholders.

Private placement

Subsequent to December 31, 2020, the Company completed a private placement raising gross proceeds of \$575,000 and issuing 2,300,000 common shares.

Compensation grant

In March 2021, the Company granted 4,320,000 stock options with an exercise price of \$0.25 and a term of five years, and 2,605,000 restricted stock units, to directors, officers, employees and consultants.



KARUS GOLD CORP.

Condensed Interim Financial Statements

As at June 30, 2021

(Unaudited)

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

As at		June 30, 2021	December 31, 2020
	Note		
Assets			
Current assets			
Cash		\$ 2,096,876	\$ 1
Amounts receivable		47,251	-
Advances and prepaid expenses		677,567	-
		2,821,694	1
Non-current assets			
Deposits		121,000	-
Equipment		10,225	-
Mineral properties	5	10,832,017	-
Total assets		\$ 13,784,936	\$ 1
Liabilities			
Current liabilities			
Accounts payable		\$ 407,164	\$ -
		407,164	-
Shareholders' equity			
Share capital	6	14,919,290	1
Warrants		16,700	-
Reserves		294,403	-
Deficit		(1,852,621)	-
Total shareholders' equity		13,377,772	1
Total shareholders' equity & liabilities		\$ 13,784,936	\$ 1
Nature of operations & going concern	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 June 30, 2021	For the six months ended June 30, 2021	For the period from incorporation on November 20, 2020 to December 31, 2020
	Note			
Expenses				
Depreciation		850	1,700	\$ -
Exploration and evaluation expenses	5	\$ 570,891	878,879	-
General and administration		84,802	110,943	-
Management fees and wages	7	134,404	192,617	-
Marketing, advisory and investor relations		215,526	262,252	-
Professional fees		22,745	111,827	-
Share-based payments	6	228,504	294,403	-
		(1,257,722)	(1,852,621)	-
Loss and comprehensive loss for the period		\$ (1,257,722)	(1,852,621)	\$ -
Basic and fully diluted loss per common share		\$ (0.02)	\$ (0.03)	-
Weighted average number of common shares outstanding		81,968,684	62,528,989	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 six months ended June 30, 2021	For the period from incorporation on November 20, 2020 to December 31, 2020
CASH USED IN OPERATING ACTIVITIES		
Loss for the period	\$ (1,852,621)	\$ -
Items not involving cash:		
Depreciation	1,700	-
Share-based payments	294,403	-
Interest expense	5,700	-
Changes in non-cash working capital items:		
Amounts receivable	(47,251)	-
Prepaid expenses and advances	(677,567)	-
Deposits	(106,000)	-
Accounts payable	407,165	-
	(1,974,471)	-
FINANCING ACTIVITIES		
Shares issued for cash	4,558,433	1
Share issuance costs	(74,145)	-
Loan proceeds from KORE Mining Ltd	500,000	-
Repayment of loan from KORE Mining Ltd.	(505,700)	-
	4,478,588	1
INVESTING ACTIVITIES		
Spinout transaction costs	(407,242)	-
	(407,242)	-
Change in cash	2,096,875	1
Cash at beginning of period	1	-
Cash at end of period	\$ 2,096,876	\$ 1
Supplemental cash flow information:		
Spinout of assets from KORE Mining Ltd.	\$ 10,451,700	\$ -
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	16,700	-	-	10,451,700
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	-	-	-	575,000
Share issuance costs	-	(74,145)	-	-	-	(74,145)
Share-based payments	-	-	-	294,403	-	294,403
Net loss for the period	-	-	-	-	(1,852,621)	(1,852,621)
June 30, 2021	81,968,684	14,919,290	16,700	294,403	(1,852,621)	13,377,772

The accompanying notes are an integral part of these financial statements

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 2021***(Unaudited)**(Expressed in Canadian dollars)*

1. NATURE OF OPERATIONS AND GOING CONCERN

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.

As at June 30, 2021, the Company had working capital of \$2,414,530 (current assets less current liabilities) and has incurred net losses since inception with a deficit of \$1,852,621. For the six months ended June 30, 2021, the Company used cash flows in operations of \$1,974,471. 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, however, no assurance that any such initiatives will be sufficient and, as a result, this gives rise to a material uncertainty that casts significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These 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.

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”) 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 August 30, 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.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 2021***(Unaudited)**(Expressed in Canadian dollars)*

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

Critical Judgments

The Company is 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, whether 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.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 2021***(Unaudited)**(Expressed in Canadian dollars)***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

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 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.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 2021***(Unaudited)**(Expressed in Canadian dollars)***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****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 June 30, 2021 the Company has determined that it does not have any significant decommissioning and restoration obligations related to its operations.

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.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 2021***(Unaudited)**(Expressed in Canadian dollars)***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****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.

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.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 2021***(Unaudited)**(Expressed in Canadian dollars)***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****Share-based Payments (cont'd...)**

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.

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.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 2021***(Unaudited)**(Expressed in Canadian dollars)***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****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.

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 value of the consideration paid is based on the fair value of the assets acquired. The fair value of the assets acquired was estimated as \$10,858,942 on the measurement date, which was determined by management based on a variety of factors (Note 2). The fair value of the 1,750,000 warrants issued in connection with the Spinout was \$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%.

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 June 30, 2021.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 2021***(Unaudited)**(Expressed in Canadian dollars)***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 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%, 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 six months ended June 30, 2020	For the period from incorporation on November 20, 2020 to December 31, 2020
Assays and analysis	\$ 243,653	-
Claim, staking, holding and taxes	16,831	-
Community engagement	17,963	-
Drill program	76,253	-
Engineering and development	63,462	-
Geophysics and ground prospecting	97,682	-
Project administration and support	45,769	-
Project staff and contractors	280,713	-
Travel, logistics & camp costs	36,553	-
	\$ 878,879	-

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 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 six months ended June 30, 2021 is as follows:

	Number of warrants outstanding	Weighted average exercise price \$
Balance, December 31, 2020		
Issued pursuant to spin out (Note 4)	1,750,000	\$ 0.75
Balance, June 30, 2021	1,750,000	

As at June 30, 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 six months ended June 30, 2021

(Unaudited)

(Expressed in Canadian dollars)

6. SHARE CAPITAL (cont'd...)

A summary of stock option activity for the six months ended June 30, 2021 is as follows:

	Number of options outstanding	Weighted average exercise price \$
Balance, December 31, 2020		
Granted	4,320,000	\$ 0.25
Balance, June 30, 2021	4,320,000	\$ 0.25

As at June 30, 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	62,500	\$ 0.25
	4,320,000	62,500	\$ 0.25

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 six months ended June 30, 2021:

	Number of RSUs outstanding
Balance, December 31, 2020	
Granted	2,605,000
Balance, June 30, 2021	2,605,000

As at June 30, 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	-

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 2021***(Unaudited)**(Expressed in Canadian dollars)***6. SHARE CAPITAL (cont'd...)****Share-Based Compensation**

During the six months ended June 30, 2021, the Company granted 4,320,000 stock options and 2,605,000 RSUs to directors, officers, employees and consultants.

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 \$141,850 was recognized as share-based payments expense in relation to the vesting of options for the six months ended June 30, 2021.

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

	June 30, 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 six months ended June 30, 2021, \$152,553 was recognized as share-based payments expense.

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

During the six months ended June 30, 2021, the related party transactions, not disclosed elsewhere in these financial statements, were as follows:

- a) Reimbursement of costs of \$77,719 to KORE, which was included in accounts payable as at June 30, 2021.
- b) Amounts owing to all related parties are unsecured, non-interest bearing and due on demand. As at June 30, 2021, \$106,269 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 six months ended June 30, 2021, total key management compensation was \$282,169, which includes management fees and salaries of \$160,394 and share-based payments of \$121,775.

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.

KARUS GOLD CORP.**Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 2021***(Unaudited)**(Expressed in Canadian dollars)*

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

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).

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 June 30, 2021, the Company had working capital of \$2,414,530 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 June 30, 2021, the Company had cash of \$2,096,876 to settle current liabilities of \$407,164. The Company's financial liabilities as at June 30, 2021 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 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.

DATE AND CERTIFICATE

Dated November 29, 2021

This Offering Memorandum does not contain a misrepresentation.

KARUS GOLD CORP.

“Andrew Kaip”

Andrew Kaip
Director and CEO

“Jessica Van Den Akker”

Jessica Van Den Akker
Director and CFO

ON BEHALF OF THE BOARD OF DIRECTORS

“James Hynes”

James Hynes
Director

“David Whittle”

David Whittle
Director

APPENDIX A

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that we believe, expect or anticipate will or may occur in the future are forward-looking statements. These forward-looking statements reflect our current expectations or beliefs based on information currently available to us. Forward-looking statements in this Offering Memorandum include, without limitation, statements with respect to: our expectations regarding our expectations regarding the estimated costs of the Offering and the net proceeds to be available upon completion; the use of proceeds from the Offering and the availability of funds from sources other than the Offering.

Forward-looking statements are subject to a number of risks and uncertainties that may cause Karus' actual results to differ materially from those discussed in the forward-looking statements and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, Karus. Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainties relating to the availability and cost of funds, uncertainties relating to closing of the Offering and any commitments, our ability to cancel the Offering, delays in obtaining or failure to obtain required approvals to complete the Offering, market risks in the business operated by us, and other risks related to our business and the Offering.

Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, Karus disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although we believe that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, undue reliance should not be put on such statements due to their inherent uncertainty.