

**KORE MINING LTD.**

**Management's Discussion and Analysis**

**For the Three Months Ended March 31, 2021**



## **KORE MINING LTD.**

### **Interim Management's Discussion and Analysis**

**March 31, 2021**

*(Expressed in Canadian dollars unless otherwise stated)*

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The following Management's Discussion and Analysis ("MD&A"), prepared as of May 28, 2021, should be read together with the unaudited consolidated interim financial statements of KORE Mining Ltd. ("KORE Mining" or the "Company") for the three month period ended March 31, 2021 which are prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, *Interim Financial Reporting*. All amounts are stated in Canadian dollars unless otherwise indicated. The reader should be aware that historical results are not necessarily indicative of future performance.

This MD&A contains "forward-looking statements" and "forward-looking information" within the meaning of applicable Canadian securities laws. See the section in this MD&A titled "Cautionary Language regarding Forward-Looking Information" for further details. In addition, this MD&A has been prepared in accordance with the requirements of Canadian securities laws, which differ in certain material respects from the disclosure requirements of United States securities laws, particularly with respect to the disclosure of mineral reserves and mineral resources. See the section of this MD&A titled "Cautionary Note to U.S. Investors Regarding Mineral Resource Estimates" for further details.

#### **Corporate Summary - Nature of Operations**

The Company's business is the acquisition, exploration and development of North American gold projects. The Company's primary focus is its two 100% owned gold projects in California. Both gold projects have completed positive, high return on capital, preliminary economic assessments (See "*Project Summaries*" for more information). KORE is investing in both exploration and development to unlock value for shareholders. KORE is supported by strategic investor Eric Sprott, who owns 26% of the basic shares outstanding. Management and the Board are aligned with shareholders owning a further 38%.

The Company's most advanced gold project, the Imperial project in Imperial County California ("Imperial" or "Imperial Project"), is being prepared for mine development permitting and the surrounding Mesquite-Picacho District claim block is being explored for new discoveries. Imperial is ideally located in Imperial County California, with access to labour and infrastructure associated with the operating Mesquite gold mine, located ten miles away. KORE delivered a positive preliminary economic assessment for a simple, open pit heap leach mine at Imperial ("Imperial PEA") published in May 2020 with a net present value ("NPV") at 5% of US\$343 million and internal rate of return ("IRR") of 44% at US\$1,450 per ounce gold (see "*Imperial PEA Summary*" for further details). KORE is actively exploring the Mesquite-Picacho District and continues to advance Imperial permitting.

KORE also owns the Long Valley project located in Mono County, California, which is a shallow oxide gold resource open for expansion at surface in oxides and at depth in sulphides. KORE is using geophysics and other modern exploration techniques to target drilling planned for the summer of 2021, subject to permitting. In September 2020, KORE delivered a positive preliminary economic assessment for a simple, open pit heap leach mine at Long Valley ("Long Valley PEA") that showed a net present value ("NPV") at 5% of US\$273 million and internal rate of return ("IRR") of 48% at US\$1,600 per ounce gold (see "*Long Valley PEA Summary*" for further details).

#### *Karus Gold Spinout*

In January 2021, KORE executed a spinout of its BC gold assets, into Karus Gold Corp. ("Karus"), where 100% of Karus was distributed to the shareholders of KORE. The BC gold assets included:

- 1) South Cariboo Gold Project – Cariboo Region, British Columbia – KORE, through land acquisition and staking in July 2020, controlled 1,000 km<sup>2</sup> of claims, making it the dominant land holder in the southern half of the Cariboo Gold District with Osisko Gold Royalties controlling the north. Within the South Cariboo Gold Project is FG Gold (see following) and Gold Creek. Gold Creek is an orogenic gold discovery near the Spanish Mountain gold project and the Mount Polley copper-gold mine.
- 2) FG Gold – Cariboo Region, British Columbia – FG Gold is the most advanced project in the South Cariboo Gold District hosting a shallow orogenic gold deposit that is open at depth and on-strike for growth. KORE completed a 5,700 metre drill program in October 2020 to upgrade the deposit through defining the structural controls of high grade mineralization and to expand known mineralization with new discoveries down dip.

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

The Company's common shares are listed for trading on the TSX Venture Exchange ("TSX-V") as a Tier 2 issuer under the symbol "KORE" in Canada and also trades in the United States on the OTCQX under the stock symbol "KOREF" and on the Frankfurt Stock Exchange under the symbol "EUSA".

**2021 Q1 Highlights**

During the three months ended March 31, 2021, and to the date of this MD&A, the Company accomplished the following:

- Completed the spin-out transactions creating Karus Gold, a British Columbia gold explorer.
- Appointed Ms. Liz Monger as Vice President, Investors Relations effective February 17, 2021. Ms. Monger has 25 years of investor relations, communications and compliance experience and was most recently the Manager of Investor Relations and Corporate Secretary at Midas Gold Corp. from June 2011 to January 2021. During her time at Midas Gold, Ms. Monger led investor relations for the Company and was a key part of the project communications team that built an alliance of Idaho mining companies. Prior to joining Midas Gold, Ms. Monger spent six years with Rainy River Resources Ltd., departing as Director of Investor Relations, and before that was responsible for Corporate Communications, Compliance and Land Management at Rubicon Minerals Corporation.
- Completed sampling and mapping at the Mesquite-Imperial-Picacho District that discovered gold in dry stream beds and outcrops, providing further evidence that the 28-km Mesquite-Imperial-Picacho District could host multiple gold discoveries.
- Launched new exploration programs at Imperial and Long Valley project to continue to advance exploration objectives.
- Discovered additional anomalous gold occurrences in dry stream beds and outcrops of the eastern Imperial-Mesquite area, providing further evidence that the 28-km Mesquite-Imperial-Picacho District could host multiple gold discoveries and staked an additional 4,600 acres of claims, bringing KORE's total to approximately 31,000 acres.
- And to the date of this MD&A, announced a bought deal financing of 8,422,000 units at a price of \$0.95 per unit for gross proceeds of \$8,000,900.

**Outlook**

At the Imperial Project, the Company's focus for 2021 is drilling the highest priority targets at the Mesquite-Imperial-Picacho District in parallel with the start of mine permitting, using the mine plan developed for the Company's Imperial PEA published in May 2020. The Company also plans to drill test resource growth subject to permitting and new discovery targets at the Long Valley project and continue target generation work across both projects. Drilling at both projects is subject to permitting.

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

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*Project Summaries*

**Imperial, California, USA**

The Company has been actively expanding its footprint in Imperial County, and has hired permanent staff, including a Manager of Communications, a Manager of Environmental and Regulatory Affairs and a Senior Project Geologist. The Company has also secured office and warehouse space in Imperial City, California that will be suitable for supporting both our ongoing permitting and exploration activities.

The Company continues to explore the Mesquite-Imperial-Picacho district ("District") to discover new oxide gold deposits. Programs are ongoing to generate drill targets and complete mapping across the 28 kilometer District trend. 2020 and Q1 2021 geophysical and geochemistry work successfully proved the "fingerprinting" target strategy for targeting new discoveries in the District and generated multiple high priority drill targets. More work is planned for 2021 including: additional geochemistry and field mapping, infill geophysics and satellite alteration survey.

The Company is engaging with the BLM to permit a multi-year drilling program that will include exploration targets immediately east of the Mesquite Gold Mine (owned by Equinox Gold), targets immediately west of the Imperial Project as well as resource growth targets within the original Imperial Project. KORE does not consider the historic production or economic realization of Mesquite or Picacho as indicative of mineralization or the economics of any such mineralization at Imperial. The District targets are to make new oxide gold discoveries. The targets within the original Imperial Project are intended to grow the current resource, improving geologic understanding and delivering samples for metallurgical and geotechnical testing. Drilling is expected to start in H2 2021, subject to permitting.

The Company continues to advance mine permitting efforts working closely with the local BLM office. The team is advancing engineering and environmental baseline work to submit the Plan of Operations for the mining project once the Record of Decision for the exploration drilling is granted. On the engineering and development work, Kappes Cassiday and Associates has completed heap leach and mine engineering to ensure a robust Plan of Operations suitable for submitting to the BLM. The Company expects to submit the mine Plan of Operations in the second half of 2021.

KORE does not consider the historic production or economic realization of Mesquite or Picacho as indicative of mineralization or the economics of any such mineralization at Imperial.

**Long Valley, California, USA**

*Work Program Summary*

The Company is advancing drill permitting with the United States Forest Service for an exploration drill program. KORE plans to drill the highest priority oxide and sulphide targets in summer of 2021 subject to financing and permitting. Oxide targets are well defined by 2019 and 2020 field mapping, sampling and geophysics programs. Oxide targets are designed as step-outs to grow the current project resources. In addition, several drill pads will support deeper drill holes to test sulphide targets in the potential "boiling zone" of the deposit which could yield higher grades and open up the potential for underground mining at the project.

KORE also plans additional field mapping, sampling and geophysics to identify new drill targets on the recently staked 14,000 acres of exploration claims acquired by the Company in December 2020. The new claims have the potential to host new oxide gold discoveries. The Company has also commissioned a satellite alteration survey of the entire claim area to further define potential target areas.

Drill program permitting is progressing and a permit from the U.S. Forest Service ("USFS") is expected in mid-2021 to commence drilling.

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#### **Managing COVID-19**

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.

The Company continues to operate as effectively as possible while mitigating the risk of exposure to employees, suppliers and local communities. The Company is respecting the guidelines of local, state and federal governments at each project. In Q3 2020, the Company donated 100 COVID-19 test kits recognizing a need in a local community.

All of our projects have experienced some impact from COVID-19. Imperial and Long Valley rely on service providers and government agencies, many of which have been impacted by COVID-19. The Company has seen delays in drill permit processing for both Long Valley and Imperial, in part due to COVID-19. COVID-19 has also slowed down efforts to engage and build stakeholder relationships at our Imperial project. 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.

#### ***Project Summaries***

##### **Imperial Gold Project, California, USA**

Imperial is located in Imperial County, southeastern California 26 miles northwest of the city of Yuma, Arizona, and 45 miles east-northeast of El Centro, California.

Imperial consisted of 370 lode claims, 281 mill-site claims and 3 placer claims for a total of 654 claims covering a total area of approximately 5,721 acres. In September 2019, the Company staked the Mesquite-Picacho District consisting of 1,005 new claims covering approximately 20,411 acres and a further 4,600 acres in 2021 bringing the Company's total in the region to approximately 31,000 acres. The claims were staked to capture the entire gold trend that connects Equinox's operating Mesquite mine to Imperial and then continuing onto the now closed Picacho mine. The trend is underexplored and has the potential to host additional gold deposits.

The claims are administered by the U.S. Bureau of Land Management ("BLM") on federally owned lands. The unpatented mining claims (new and historic) are all in good standing with all holding fees paid for the current year. The claims will remain in effect for as long as the claim holding fees are paid to both the U.S. government and the county. The claims must also be maintained by ensuring that the claim posts and location notices are properly upright and visible.

##### **Imperial PEA Summary**

In April 2020, the Company announced the results of its Imperial PEA on the Imperial project – see the April 6, 2020 news release; and published the full technical report in May 2020 – see the Company's website for full information and disclaimers. The Imperial PEA, with an effective date of April 6, 2020 and filed on May 19, 2020, was prepared in accordance with National Instrument 43-101 ("NI 43-101") by Global Resource Engineering (Denver) ("GRE") - Terre Lane, RMSME MMSAQ, Todd Harvey, PhD, RMSME and Glen Cole, P. Geo of SRK with support of Geo-Logic Associates - Monte Christie, GE PE. The team was led by Marc Leduc, P. Eng. the COO of KORE Mining.

The Imperial PEA scopes an open pit mine with run-of-mine heap leach processing of the 100% oxide mineralization. The Project benefits from nearby skilled labour, major highways and power infrastructure in place for the Mesquite Mine (Equinox – TSX:EQX) which is a similar scale open pit-heap leach gold mine ten miles to the east. The mine plan is sequenced in the Imperial PEA to be in full compliance with California's stringent reclamation requirements including backfilling of the open pits.

KORE does not consider the historic production or economic realization of Mesquite as indicative of mineralization or the economics of any such mineralization at Imperial.

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Note that a PEA is preliminary in nature, includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the Imperial PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability. This Imperial PEA is a conceptual study, and the disclosure in this MD&A contains forward-looking information about potential future results and events. Please refer to the cautionary statements in the footnotes below and the Cautionary Statements located at the end of this news release, which include associated assumptions, risks, uncertainties and other factors.

Unless otherwise stated, all masses are in short tons, which is the equivalent to 2,000 pounds or 907.2 kilograms.

<b>Economics</b>		<b>Pre-Tax</b>	<b>Post-Tax</b>
Net present value (NPV <sub>5%</sub> ) at 0.75C\$/US\$	<i>C\$ millions</i>	\$584	\$458
Net present value (NPV <sub>5%</sub> )	<i>US\$ millions</i>	\$438	\$343
Internal rate of return (IRR)	<i>%</i>	52%	44%
Payback (undiscounted)	<i>years</i>	2.3	2.7
LOM avg. annual cash flow after tax & capital	<i>US\$ millions</i>	\$105	\$90
LOM cumulative cash flow (undiscounted)	<i>US\$ millions</i>	\$697	\$580
Gold price assumption	<i>US\$ per ounce</i>	\$1,450	
Mine life	<i>years</i>	8	
Average annual mining rate	<i>million tons/yr</i>	43.4	
Average annual gold production	<i>thousand ounces/yr</i>	146	
Total LOM recovered gold	<i>million ounces</i>	1.17	
Initial capital costs	<i>US\$ millions</i>	\$143.5	

Life-of-mine (“LOM”) calculation and “Mine Life” is defined as the duration of mining operations, 8 years. There are additional years of site work for residual leaching, washing, back-filling and reclamation modelled.

The following table demonstrates the post-tax sensitivities of NPV and IRR to gold price per ounce. The base case, highlighted in the table below, assumes US\$1,450 per ounce of gold:

<b>Economic Sensitivities to Gold Prices (post-tax)</b>		
<i>Per ounce of gold</i>	<b>(NPV<sub>5%</sub>) millions</b>	<b>IRR%</b>
US\$1,300	US\$234	34%
<b>US\$1,450</b>	<b>US\$343</b>	<b>44%</b>
US\$1,600	US\$450	52%
US\$1,800	US\$590	64%
US\$2,000	US\$729	75%

**Long Valley, California, USA**

The Long Valley Property is located in Mono County, east-central California, approximately 57 miles to the south of the town of Bridgeport and about 45 miles north of the town of Bishop, California. Both towns are connected by U.S. Highway 395, which passes a few miles west of the property. Access to the property from the highway is via a series of graded gravel roads. The project originally consisted of 95 contiguous, unpatented mining claims that cover an area of approximately 1,800 acres. The claims are on federally owned lands administered by the U.S. Forest Service,

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U.S. Department of Agriculture. The surface rights in the area of the claims are owned by the U.S. government, with the area being subject to a surface grazing lease issued by the U.S. Forest Service.

In January and March 2020, KORE announced results from exploration programs at Long Valley that defined a new exploration strategy for both oxides and sulphides. The drill chip re-logging, geophysics, mapping and field sampling generated data-driven, high priority oxide gold drill targets and defined clear targets for drilling sulphide “feeder” structures. KORE plans to drill the highest priority targets in the summer of 2021 subject to financing and permitting from the U.S. Forest Service.

In December 2020, the Company staked 14,104 acres of new claims, increasing the scale of the Long Valley project by 750% to 15,965 acres. The new district scale land package covers all deep-rooted fault structures of similar genesis to the Hilton Creek fault, the primary ‘conduit’ for current Long Valley epithermal gold/silver deposit and is highly prospective to host new epithermal gold deposit discoveries as well as step-out growth for the known Long Valley deposit.

Long Valley PEA Summary

In August 2020, KORE commenced work on a Preliminary Economic Assessment for Long Valley (“LV PEA”).

In September 2020, the Company announced the results of its LV PEA – see the September 15, 2020 news release; and published the full technical report in October 2020 – see the Company’s website for full information and disclaimers. The LV PEA, with an effective date of September 21, 2020 and filed on October 27, 2020 was prepared in accordance with National Instrument 43-101 (“NI 43-101”) by Global Resource Engineering (Denver) (“GRE”) - Terre Lane, RMSME MMSAQP, Todd Harvey, PhD, RMSME in conjunction with a resource estimate prepared by Mine Development Associates and (“MDA”) authored by Neil Prenn, PE and recent site geological studies by Steven Weiss, PhD, CPD, also of MDA. The team was led by Marc Leduc, P.Eng. the COO of KORE Mining.

The LV PEA scopes an open pit mine with heap leach processing of oxide and transition materials. The Project benefits from nearby skilled labour, major highways and power infrastructure. Long Valley has oxide metallurgical testing which showed the oxide and transition materials are amenable to heap leaching and has the potential for high recoveries. The shallow nature of the deposit enables the LV PEA to be in full compliance with California’s stringent reclamation requirements including backfilling of the open pit.

Note that a PEA is preliminary in nature, includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the LV PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability. This LV PEA is a conceptual study, and the disclosure in this MD&A contains forward-looking information about potential future results and events. Please refer to the cautionary statements in the footnotes below and the Cautionary Statements located at the end of this MD&A, which include associated assumptions, risks, uncertainties and other factors.

Unless otherwise stated, all masses are in short tons, which is the equivalent to 2,000 pounds or 907.2 kilograms.

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<b>Economics</b>		<b>Pre-Tax</b>	<b>Post-Tax</b>
Net present value (NPV <sub>5%</sub> ) at 0.75C\$/US\$	<i>C\$ millions</i>	\$463	\$364
Net present value (NPV <sub>5%</sub> )	<i>US\$ millions</i>	\$347	\$273
Internal rate of return (IRR)	<i>%</i>	57%	48%
Payback (undiscounted)	<i>years</i>	1.6	1.8
LOM avg. annual cash flow after tax & capital	<i>US\$ millions</i>	\$96	\$83
LOM cumulative cash flow (undiscounted)	<i>US\$ millions</i>	\$475	\$385
Gold price assumption	<i>US\$ per ounce</i>	\$1,600	
Mine life	<i>years</i>	7	
Average annual mining rate	<i>million tons/yr</i>	18.5	
Average annual gold production	<i>thousand ounces/yr</i>	102	
Total LOM recovered gold	<i>million ounces</i>	717	
Initial capital costs	<i>US\$ millions</i>	\$161	

Life-of-mine ("LOM") calculation and "Mine Life" is defined as the duration of mining operations, 7 years. There are additional years of site work for residual leaching, washing, back-filling and reclamation modelled.

The following table demonstrates the post-tax sensitivities of NPV and IRR to gold price per ounce. The base case, highlighted in the table below, assumes US\$1,600 per ounce of gold:

<b>Economic Sensitivities to Gold Prices (post-tax)</b>		
<i>Per ounce of gold</i>	<b>(NPV<sub>5%</sub>) millions</b>	<b>IRR%</b>
US\$1,200	US\$97	25%
US\$1,400	US\$187	38%
<b>US\$1,600</b>	<b>US\$273</b>	<b>48%</b>
US\$1,800	US\$352	58%
US\$2,000	US\$438	67%
US\$2,200	US\$524	76%

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***NI 43-101 Resource Estimate Summary***

	<b>Size (tonnes)</b>	<b>Grade (g/t)</b>	<b>Au (oz)</b>	<b>Au Cut-off (g/t)</b>
Indicated				
<b>Long Valley</b> <sup>1</sup>	63,669,000	0.59	1,217,000	0.17 & 0.21
<b>Imperial</b> <sup>2</sup>	45,703,000	0.59	877,000	0.1
<b>TOTAL M&amp;I</b>	<b>109,372,000</b>	<b>0.59</b>	<b>2,094,000</b>	
Inferred				
<b>Long Valley</b> <sup>3</sup>	22,052,000	0.64	456,000	0.17 & 0.21
<b>Imperial</b> <sup>4</sup>	90,876,000	0.46	1,336,000	0.1
<b>TOTAL INFERRED</b>	<b>112,928,000</b>	<b>0.54</b>	<b>1,792,000</b>	

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<sup>1</sup> “Preliminary Economic Assessment NI 43-101 – Technical Report Long Valley Project, Mono County, California”, effective date September 21, 2020 and issued on October 27, 2020 by Terre Lane and Todd Harvey of Global Resource Engineering and Neil Prens and Steven I. Weiss of Mine Development Associates. Oxide cut off 0.17 g/t; Transition & sulphide cut-off 0.21 g/t. See the technical report for more details – available at [www.koremining.com](http://www.koremining.com) or [www.sedar.com](http://www.sedar.com).

<sup>2</sup> “Preliminary Economic Assessment – Technical Report Imperial Gold Project, California, USA” dated May 19, 2020 by Terre Lane, RMSME and Dr. Todd Harvey, RMSME of GRE and, Glen Cole - P.Geo. of SRK Consulting (Canada) Inc. See the technical report for more details – available at [www.koremining.com](http://www.koremining.com) or [www.sedar.com](http://www.sedar.com).

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**Exploration & Evaluation Expenses**

Following is a summary of accumulated acquisition costs and exploration and evaluation expenses by project for the three months ended March 31, 2021:

As at March 31, 2021	Long Valley	Imperial	Other
Acquisition Costs	\$488,291	\$1,256,491	-
For the period ended March 31, 2021	Long Valley	Imperial	Other
Exploration and evaluation expenses			
Claim, staking, holding and taxes	271,930	192,401	-
Community engagement	-	72,472	-
Engineering and development	(2,655)	109,445	-
Geophysics and ground prospecting	-	89,670	-
Permitting and environment	9,275	182,500	-
Project general & admin	-	16,350	-
Project staff-contractors	36,293	26,220	-
Technical reports and studies	-	27,657	-
Travel, logistics & camp costs	-	21,108	-
<i>Recovery of costs in connection with Spinout</i>	-	-	(32,653)
	314,843	737,823	(32,653)

**Results of Operations**

During the three months ended March 31, 2021, the Company's net income was \$6,938,073 (Net loss for March 31, 2020 - \$1,410,220), which is an increase of \$8,348,293. The main contributor to the increase is the gain on distribution of Karus Gold of \$9,355,106 for the three months ended March 31, 2021. Operating expenses for the three months ended March 31, 2021 were \$2,408,500 compared to \$1,418,865 for the three months ended March 31, 2020, an increase of \$989,635, primarily attributable to an increase in marketing of \$477,481 (increased outreach compared to Q1 2020), an increase in share-based payments of \$274,795 (correlates with vesting of compensatory equity instruments), and an increase in exploration and evaluation expenses of \$200,036 (due to increased activity at Imperial & Long Valley). In addition, the Company received \$407,242 of recoveries from Karus Gold which decreased professional fees, general and administration, and management fees, wages and corporate advisory fees.

**Summary of Quarterly Results**

The following table shows selected quarterly financial information for each of the last eight quarters:

	31-Mar-21	31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-19	30-Sep-19	30-Jun-19	31-Mar-19
Net income (loss)	\$6,983,073	(\$3,647,534)	(\$2,849,476)	(\$1,288,253)	(\$1,410,220)	(\$1,105,631)	(\$1,728,325)	\$1,555,871	(\$512,239)
Basic earnings (loss) per share	\$0.07	(\$0.04)	(\$0.03)	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.02)	\$0.02	(\$0.01)
Diluted earnings (loss) per share	\$0.06	(\$0.04)	(\$0.03)	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.02)	\$0.02	(\$0.01)

**Liquidity, Capital Resources and Going Concern**

The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

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The continuing operations of the Company are dependent upon the Company's ability to arrange adequate financing in the near term. However, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue operations. The Company will seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all.

As at March 31, 2021, the Company had a cash balance of \$2,722,732 and working capital of \$1,907,447 with current liabilities of \$1,038,812. The Company has incurred losses since inception and does not generate any cash inflows from operations. For the three months ended March 31, 2021, cash used in operating activities totaled \$2,309,133.

The Company's ability to continue to meet its obligations and carry out its planned exploration activities for at least 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, there is significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. The Company's consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet 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 at least 12 months following the year end. These adjustments could be material.

**Cash Used In Operating Activities**

Net cash used in operating activities during the three months ended March 31, 2021 was \$2,309,133 (2020 - \$815,078). Cash used in operating activities primarily related to operations during the period, including exploration and evaluation expenses, professional fees, management fees and marketing costs, as well as the settlement of outstanding liabilities.

**Cash Provided by Financing Activities**

Net cash provided by financing activities during the three months ended March 31, 2021 was \$53,370 (2020 - \$nil), primarily attributable to proceeds from the exercise of options.

**Outstanding Share Data**

The Company's authorized share capital consists of an unlimited number of common shares without par value. At March 31, 2021, there were 106,224,912 shares issued and outstanding.

As of the date of this MD&A, the following shares, warrants and options were outstanding:

	Number of Shares/Options/ Warrants	Exercise Price	Expiry Date
Issued and Outstanding Shares	<b>106,224,912</b>		
Warrants	3,000,000	\$1.50	22-Jul-22
Warrants	500,000	\$1.50	27-Jul-22
Stock Options	1,250,000	\$0.50	01-Nov-23
Stock Options	2,166,668	\$0.14	12-Jan-24
Stock Options	150,000	\$0.25	09-May-24
Stock Options	2,600,000	\$0.27	03-Jul-24
Stock Options	500,000	\$0.29	18-Oct-24
Stock Options	850,000	\$0.44	27-Apr-25
Stock Options	400,000	\$1.50	03-Sep-25
Stock Options	200,000	\$1.34	30-Nov-25
Stock Options	250,000	\$1.00	17-Feb-26
Restricted Share Units	248,000	NA	NA
<b>Fully Diluted at May 28, 2021</b>	<b>118,339,580</b>		

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

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

**a. Credit risk**

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

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

**b. Liquidity risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at March 31, 2021, the Company had working capital of \$1,907,447 and it does not have any long term monetary liabilities. The Company will seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. The Company's approach to managing liquidity risk is to endeavor to ensure that it will have sufficient liquidity to meet liabilities when they fall due. As at March 31, 2021, the Company had cash of \$2,722,732 to settle current liabilities of \$1,038,812. The Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. See *Liquidity, Capital Resources and Going Concern* for more information.

**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 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 in Canadian and United States dollars. The portion of the Company's funds held in US dollars are subject to fluctuations in foreign exchange rates.

At March 31, 2021, the Company has certain monetary items denominated in United States dollars. Based on these net exposures, a 10% appreciation or depreciation of the Canadian dollar against the United States dollar would result in an increase or decrease of \$101,076 in the Company's net loss.

**Fair Values**

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

**Related Party Transactions and Balances**

As at March 31, 2021, there was \$61,536 included in receivables as due from Karus Gold for reimbursement of general and administrative costs for the period from January 26, 2021 to March 31, 2021.

Amounts owing to related parties are unsecured, non-interest bearing and due on demand. As at March 31, 2021, \$344,236 (2020 - \$315,785) is due to related parties.

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**Key Management Compensation**

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the Chairman, President & Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Directors. For the three months ended March 31, 2021, total key management compensation was \$319,059 (2020 - \$237,130), which includes management fees and salaries of \$206,678 (2020 - \$171,000), and share-based compensation of \$112,381 (2020 - \$66,303).

**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 continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

**Critical Judgments**

The preparation of these consolidated financial statements requires the Company to make judgments regarding the going concern of the Company as discussed in Note 2.

The Company is also required to make significant judgments on the ongoing feasibility of exploration and evaluation assets, and whether there are indicators that the right to explore the specific area has expired or will be allowed to expire, that further exploration and evaluation plans have changed, or whether 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.

**Significant Estimates**

The determination of the Company's tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgement by management. In determining these amounts, management interprets tax legislation in Canada and the US and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities, the deferral and deductibility of certain items and the interpretation of the treatment for tax purposes for exploration and development activities. The Company is subject to assessment by Canadian and US tax authorities, which may interpret legislation differently which may affect the final amount or timing of the payment of taxes. The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

The Company was required to make an estimation of the value of the shares of Karus Gold distributed to shareholders of the Company (Note 4). Karus Gold is not publicly listed and had no observable market price to derive a fair 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, historical exploration work and expenditures made on the project, as well as external market conditions, including current and future commodity price expectations.

**Recent Accounting Standards**

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

**Cautionary Note Regarding Forward Looking Statements**

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

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It is important to note that:

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

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risk Factors".

#### **Cautionary Note to U.S. Investors Regarding Mineral Resource Estimates**

Information regarding mineral resource estimates has been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of the United States Securities and Exchange Commission ("SEC") Industry Guide 7. In October 2018, the SEC approved final rules requiring comprehensive and detailed disclosure requirements for issuers with material mining operations. The provisions in Industry Guide 7 and Item 102 of Regulation S-K, have been replaced with a new subpart 1300 of Regulation S-K under the United States Securities Act and became mandatory for SEC registrants after January 1, 2021. The changes adopted are intended to align the SEC's disclosure requirements more closely with global standards as embodied by the Committee for Mineral Reserves International Reporting Standards (CRIRSCO), including Canada's NI 43-101 and CIM Definition Standards. Under the new SEC rules, SEC registrants will be permitted to disclose "mineral resources" even though they reflect a lower level of certainty than mineral reserves. Additionally, under the New Rules, mineral resources must be classified as "measured", "indicated", or "inferred", terms which are defined in and required to be disclosed by NI 43-101 for Canadian issuers and are not recognized under SEC Industry Guide 7. An "Inferred Mineral Resource" has a lower level of confidence than that applying to an "Indicated Mineral Resource" and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of "Inferred Mineral Resources" could be upgraded to "Indicated Mineral Resources" with continued exploration. Accordingly, the mineral resource estimates and related information may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements under the United States federal laws and the rules and regulations thereunder, including SEC Industry Guide 7. U.S. investors are cautioned not to assume that any part of an inferred mineral resource exists or is economically or legally mineable.

#### **Risk Factors**

The Company's success depends on a number of factors, most of which are beyond the control of the Company. Typical risk factors include gold price fluctuations, foreign currency fluctuations, and operating uncertainties encountered in the mining business. Future government, legal or regulatory changes could affect any aspect of the Company's business, including, among other things, environmental issues, land claims, permitting and taxation costs all of which could adversely affect the ability of the Company. These risks and uncertainties are managed by experienced managers, advisors and consultants, by maintaining adequate liquidity, and by cost control initiatives.

#### *Land Title*

The acquisition of title to resource properties in this part of California is a very detailed and time-consuming process. No assurances can be given that there are no title defects affecting the properties in which the Company has an interest. The Imperial and Long Valley Projects include areas with prospective exploration potential that lie on unpatented mining claims with a lengthy history of prior ownership and operations. The Imperial and Long Valley Projects may be subject to prior unregistered liens, agreements, transfer of claims and title may be affected by, among other things, undetected defects. Other parties may dispute title to a property or the property may be subject to prior unregistered

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agreements and transfers of land claims by indigenous people. Title may also be affected by undetected encumbrances or defects or government actions. The Company has not conducted surveys of the Imperial and Long Valley Projects and the precise area and location of claims and other mineral rights may be challenged. The Company may not be able to register rights and interests it acquires against title to applicable mineral properties. An inability to register such rights and interests may limit or severely restrict the Company's ability to enforce such acquired rights and interests against third parties or may render certain agreements entered into by the Company invalid, unenforceable, uneconomic, unsatisfied or ambiguous, the effect of which may cause financial results yielded to differ materially from those anticipated. Although the Company believes it has taken reasonable measures to ensure proper title to the Projects, there is no guarantee that such title will not be challenged or impaired.

See additional risk factors disclosed in the Company's Annual Information Form for the year ended December 31, 2020 and filed on April 29, 2021 for a detailed discussion of the Company's risk factors.

**Other Information**

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