KARUS MINING INC.

Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023

KARUS MINING INC.
Unaudited Condensed Interim Consolidated Statements of Financial Position
As at September 30, 2024 and December 31, 2023
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

		As at September 30, 2024		As at December 31, 2023
Assets				
Current assets				
Cash (Note 3)	**$**	**596,786**	$	186,898
Amounts receivable (Note 6)		**25,545**		79,896
Promissory note receivable (Note 6)		**337,473**		-
Advances and prepaid expenses		**17,305**		22,368
		977,109		289,162
Non-current assets				
Deposits (Note 3)		**97,715**		16,715
Equipment (Note 3)		**2,136**		-
Exploration and evaluation assets (Note 4)		**16,617,116**		4,923,065
		16,716,967		4,939,780
Total assets	**$**	**17,694,076**	$	5,228,942
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 6)	**$**	**570,355**	$	68,176
Long-term deferred income tax liability (Note 9)		**545,000**		579,000
Total liabilities		**1,115,355**		647,176
Shareholders' equity				
Share capital (Notes 3 & 5)		**21,536,509**		5,568,774
Share-based reserves (Note 5)		**1,463,643**		-
Deficit		**(6,421,431)**		(987,008)
Total shareholders' equity		**16,578,721**		4,581,766
Total liabilities and shareholders' equity	**$**	**17,694,076**	$	5,228,942

Nature of operations and going concern (Note 1)

Approved by the Board of Directors:

"Tony Cina"
Director

"Alex Gostevskikh"
Director

KARUS MINING INC.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine month periods ended September 30, 2024 and 2023
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	**For the nine months ended September 30, 2024**	For the nine months ended September 30, 2023
Expenses				
Depreciation	**$ 428**	$ -	**$ 1,283**	$ -
Director fees	**98,630**	-	**98,630**	-
General and administration	**14,166**	3,587	**153,904**	15,781
Marketing, advisory and investor relations	**2,850**	-	**5,275**	-
Professional fees	**82,944**	-	**169,448**	16,509
Share-based payments (Note 5)	**-**	-	**128,925**	-
Travel	**-**	517	**-**	1,539
Net loss before other items	**(199,018)**	(4,104)	**(557,465)**	(33,829)
Other items				
Foreign exchange gain	**81**	-	**4,999**	-
Interest income	**14,534**	17,337	**26,937**	47,682
Listing expense (Note 3)	**-**	-	**(1,366,694)**	-
Other income	**17,414**	-	**17,414**	-
Net income (loss) before income taxes	**(166,989)**	13,233	**34,000**	13,853
Deferred income tax recovery (expense)	**23,000**	(110,500)	**34,000**	(331,500)
Net loss and comprehensive loss for the period	**$ (143,989)**	$ (97,267)	**$ (1,840,809)**	$ (317,647)
Basic and diluted loss per share	**$ (0.00)**	$ (0.00)	**$ (0.06)**	$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	**32,969,832**	21,141,880	**29,808,874**	21,141,880

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

KARUS MINING INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the nine month periods ended September 30, 2024 and 2023
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Share capital								
	Common Shares		**Amount**		**Share-based reserves**		**Deficit**		**Total Shareholders' Equity**
December 31, 2022	21,141,880	$	5,568,774	$	-	$	(519,821)	$	5,048,953
Net loss for the period	-		-		-		(317,647)		(317,647)
September 30, 2023	21,141,880	$	5,568,774	$	-	$	(837,468)	$	4,731,306
December 31, 2023	21,141,880	$	5,568,774	$	-	$	(987,008)	$	4,581,766
Shares issued for Theia transaction	9,166,016		12,374,121		1,334,718		-		13,708,839
Share capital distribution	2,661,936		3,593,614		-		(3,593,614)		-
Share-based payments (Note 3)	-		-		128,925		-		128,925
Net loss for the period	-		-		-		(1,840,809)		(1,840,809)
September 30, 2024	32,969,832	$	21,536,509	$	1,463,643	$	(6,421,431)	$	16,578,721

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

KARUS MINING INC.
Condensed Interim Consolidated Statements of Cash Flows
For the nine month periods ended September 30, 2024 and 2023
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

		For the nine months ended September 30, 2024		For the nine months ended September 30, 2023
OPERATING ACTIVITIES				
Net loss for the period	**$**	**(1,840,809)**	$	(317,647)
Items not involving cash:				
Depreciation		**1,283**		-
Listing expense		**1,366,694**		-
Share-based payments		**128,925**		-
Interest income		**(21,134)**		-
Foreign exchange gain		**(428)**		-
Deferred income tax (recovery)/expense		**(34,000)**		331,500
Changes in non-cash working capital items:				
Amounts receivable		**66,502**		12,631
Advances and prepaid expenses		**40,166**		74,144
Accounts payable and accrued liabilities		**155,454**		179,116
Cash provided by (used in) operating activities		**(137,347)**		279,744
INVESTING ACTIVITIES				
Exploration and evaluation expenditures		**(78,051)**		(823,908)
Cash acquired through Theia transaction		**625,286**		-
Cash provided by (used in) investing activities		**547,235**		(823,908)
Change in cash		**409,888**		(544,164)
Cash at beginning of the period		**186,898**		2,017,257
Cash at end of the period	**$**	**596,786**	$	1,473,093
Non-cash investing and financing activities:				
Exploration and evaluation expenditures included in accounts payable	**$**	**-**	$	170,106
Share capital distribution, recorded to deficit	**$**	**3,593,614**	$	-

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Karus Mining Inc. ("Karus" or 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, and to Karus Mining Inc. on February 13, 2024. The Company was incorporated as the target company for certain assets and liabilities spun out from KORE Mining Ltd. ("KORE"). 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 and related equipment and exploration deposits, in exchange for 53,112,455 shares of the Company, which were distributed to KORE shareholders on the basis of one common share of the Company for every two KORE shares held.

On February 14, 2024, in anticipation of the acquisition of Theia Gold Corp. ("Theia"), Karus completed a consolidation of its outstanding common shares on the basis of one new consolidated share for every 10 outstanding shares, and concurrently changed its name from "Karus Gold Corp." to "Karus Mining Inc." On March 13, 2024, the Company closed on an amalgamation agreement (the "Amalgamation Agreement") to acquire 100% of the issued and outstanding common shares (the "Theia Shares") of Theia, a private British Columbia incorporated company, by way of a reverse takeover transaction (the "Theia Transaction"). Theia is an exploration stage entity with its main property being the Mineral Creek gold project in British Columbia.

Pursuant to the terms of the Amalgamation Agreement, the Theia Transaction was completed by way of a three-cornered amalgamation under the provisions of the BCBCA whereby 1452146 B.C. Ltd. ("Subco"), a wholly-owned subsidiary of Karus, incorporated in December 2023, amalgamated with Theia, and each of the Theia Shares, following the amalgamation, were exchanged for 2.5414 post-consolidated common shares of Karus. Following completion of the Amalgamation Agreement, Theia became a wholly-owned subsidiary of Karus, and the existing shareholders of Karus held approximately 30% in the capital of the Company while the former shareholders of Theia held approximately 70%.

Since the transaction resulted in the shareholders of Theia obtaining control of Karus, the Theia Transaction constituted a reverse acquisition for accounting purposes with Theia identified as the accounting acquirer. The net assets of Karus on the date of the reverse acquisition were deemed to have been acquired by Theia (Note 3). These unaudited condensed interim consolidated financial statements include the results of operations of Karus from March 14, 2024. The comparative amounts presented are those of Theia, prior to the reverse acquisition.

The Company's registered office is located at 1100 – 1111 Melville Street, Vancouver, BC V6E 3V6.

These unaudited condensed interim consolidated 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 September 30, 2024, the Company had an accumulated deficit of $6,421,431 (as at December 31, 2023 - $987,008). For the nine months ended September 30, 2024, the Company had no revenues and had a loss and comprehensive loss of $1,840,809. The Company does not generate any operating cash flows.

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 debt or equity financing. There is no assurance that any such initiatives will be successful or sufficient and, as a result, this gives rise to a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These unaudited condensed interim consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The continuing operations of the Company are dependent upon obtaining necessary financing to meet the Company's commitments as they come due and to finance future exploration and development of potential business acquisitions, economically recoverable reserves, securing and maintaining title and beneficial interest in the properties and upon future profitable production. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values.

2. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as applicable to interim financial reports, including International Accounting Standard 34, "Interim Financial Reporting". These financial statements should be read in conjunction with the annual financial statements of Theia for the year ended December 31, 2023, which have been prepared in accordance with IFRS. The accounting policies adopted are consistent with those of the previous financial year.

These unaudited condensed interim consolidated financial statements have been authorized for issue by the Board of Directors of the Company on November 28, 2024.

Principles of Consolidation

These unaudited condensed interim consolidated financial statements include the financial statements for the Company and its wholly owned subsidiaries. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Effective March 13, 2024, Karus completed the acquisition of the outstanding Theia Shares (Note 3). As the shareholders of Theia obtained control of the Company through the exchange of their shares for the common shares of Karus, the Theia Transaction was accounted for in these unaudited condensed interim consolidated financial statements as a reverse takeover. Consequently, the unaudited condensed interim consolidated statement of loss and comprehensive loss and cash flows for the nine months ended September 30, 2024 and 2023 reflect the results of operations of Theia and Karus from March 14, 2024 (Note 3).

Basis of Measurement

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

Material Accounting Policies

The accounting policies adopted in the preparation of the unaudited condensed interim consolidated financial statements remain materially consistent with those adopted in the preparation of the consolidated financial statements for the year ended December 31, 2023.

Significant Accounting Estimates and Judgments

The preparation of these unaudited condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and other factors believed to be reasonable under the circumstances and result in judgments about the carrying value of assets and liabilities. Actual results could differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty, other than the ones applied for the accounting for the reverse acquisition of the Company by Theia (Note 3), were consistent with those applied to the annual audited consolidated financial statements of Theia for the year ended December 31, 2023.

Recent Accounting Pronouncements

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods commencing January 1, 2024. Many are not applicable or do not have a material impact on the Company and have been excluded.

Amendments to IAS 1 - Presentation of Financial Statements

In October 2022, the IASB issued amendments to IAS 1, Presentation of Financial Statements titled Non-current liabilities with covenants. These amendments seek to improve the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period. These amendments to IAS 1 override but incorporate the previous amendments, Classification of liabilities as current or non-current, issued in January 2020, which clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendments were effective January 1, 2024, with early adoption permitted. Retrospective application is required on adoption. The amendment to the standard did not have a material impact on the condensed interim consolidated financial statements of the Company.

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after July 1, 2024 or later periods. The new and amended standards are not expected to have a material impact on the Company.

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements. This standard aims to improve the consistency and clarity of financial statement presentation and disclosures by providing updated guidance on the structure and content of financial statements. Key changes include enhanced requirements for the presentation of financial performance, financial position, and cash flows, as well as additional disclosures to improve transparency and comparability. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. The Company is currently assessing the impact that the adoption of IFRS 18 will have on its consolidated financial statements.

(Expressed in Canadian dollars unless otherwise stated)

3. REVERSE ACQUISITION

On March 13, 2024, Karus and Theia completed the Theia Transaction whereby each Theia Share was exchanged for 2.5414 common shares of Karus. Pursuant to the Theia Transaction, Karus issued 21,141,880 common shares in exchange for 8,318,989 Theia Shares. Immediately after giving effect to the Theia Transaction, the Company was owned approximately 70% by the original shareholders of Theia and 30% by the original shareholders of Karus. The Company also reconstituted its board of directors and management with persons appointed by Theia.

Considering the composition of the board and senior management and the relative ownership interests of the original Theia and Karus shareholders, Theia obtained control of the voting power of the Company and the resulting power to govern its financial and operating policies. The Theia Transaction was therefore accounted for as a reverse acquisition in accordance with guidance provided in IFRS 3, Business Combinations. Karus does not qualify as a business under IFRS 3. The Theia Transaction therefore was not considered a business combination but an issuance of common shares for the net assets of Karus by Theia. For accounting purposes, Theia (the legal subsidiary) was treated as the accounting parent company and Karus (the legal parent) was considered the accounting subsidiary in these condensed interim consolidated financial statements. As a result, Theia's assets, liabilities, and operations since incorporation are included in these condensed interim consolidated financial statements at their historical value. Karus' results of operations have been included from March 13, 2024.

The purchase price paid by Theia for the acquisition of the net assets of Karus was determined based on the number of shares [3,606,680], options [115,094] and restricted share units ("RSUs") [312,663] that Theia would have had to issue on March 13, 2024, to give the owners of Karus a 30% interest in Theia. The Theia Transaction resulted in a loss on Theia transaction of $1,336,694, representing the excess consideration transferred above the fair value of the net assets acquired and the following impact on these condensed interim consolidated financial statements:

Consideration transferred:		
Fair value of Theia [1]	$	12,374,121
Fair value of stock options [2]		390,932
Fair value of RSUs [2]		943,786
Total Consideration	$	13,708,839
Fair value of net assets acquired [3]		
Cash	$	625,286
Amounts receivable		12,151
Promissory note receivable		315,623
Advances and prepaid expenses		10,103
Deposits		106,288
Equipment		3,418
Exploration and evaluation assets		11,616,000
Accounts payable and accrued liabilities		(346,724)
Total fair value of net assets	$	12,342,145
Listing expense	**$**	**1,366,694**

1. The fair value of the Theia Shares was estimated based on the fair value of Karus' common shares and applying the exchange ratio for the Theia Transaction.

(Expressed in Canadian dollars unless otherwise stated)

2. Theia is deemed to have issued options and RSUs to the original holders of these Karus securities. The fair value of the RSU consideration was estimated based on the fair value of the Karus common shares, using the number of RSUs earned by the holders and applying the exchange ratio. The fair value of the stock options consideration was determined using the Black-Scholes option pricing model with the following key assumptions: Expected life: 1.98 years; stock price volatility: 100%, and discount rate: 4.14%.

   Total fair value of the deemed RSUs issued by Theia amounted to $1,072,711 of which $943,786 was recognized as consideration due to vesting provisions and the remaining value of $128,925 will be recognized as share-based payments expense as the compensation is earned.

3. The fair value of the net assets acquired of Karus approximates their book value as at March 13, 2024, except for the fair value of exploration and evaluation assets. The value of the exploration and evaluation assets was estimated through review of comparable transactions and applying a multiple to the hectares owned by Karus for its South Cariboo Property.

As at March 13, 2024, Karus had 9,166,016 common shares outstanding and issued 21,141,880 common shares to Theia shareholders. Karus also had 292,500 stock options and 794,601 RSUs outstanding. The number of equity instruments of Theia was updated to reflect the outstanding equity instruments of Karus based on the exchange ratio for the Theia Transaction, as follows:

	Theia Shares	Exchange Ratio	Karus Shares
Balance, as at December 31, 2023	8,318,989	2.5414	21,141,880
Deemed issuance for Theia transaction	3,606,680	2.5414	9,166,016
	11,925,669		30,307,896

	Theia Options	Exchange Ratio	Karus Options
Balance, as at December 31, 2023	-	2.5414	-
Deemed issuance for Theia transaction	115,094	2.5414	292,500
	115,094		292,500

	Theia RSUs	Exchange Ratio	Karus RSUs
Balance, as at December 31, 2023	-	2.5414	-
Deemed issuance for Theia transaction	312,663	2.5414	794,601
	312,663		794,601

All references to the number of common shares, options, RSUs and weighted average number of shares outstanding have been adjusted in these condensed interim consolidated financial statements retrospectively to reflect the Theia Transaction.

(Expressed in Canadian dollars unless otherwise stated)

4. EXPLORATION AND EVALUATION ASSETS

The balance and summary of the changes to the exploration and evaluation assets is as follows:

	Mineral Creek Property	South Cariboo Property	Greenfield Claims Options	Total
Balance, December 31, 2023	**$ 4,923,065**	**$ -**	**$ -**	**$ 4,923,065**
Acquisition costs:				
Claims	906	-	-	906
Theia transaction acquisition	-	11,457,062	158,938	11,616,000
Total acquisition costs	906	11,457,062	158,938	11,616,906
Exploration costs:				
Assays/lab	101	-	-	101
Geological consulting	25,465	10,120	-	35,585
Fieldwork/supplies	26,087	364	-	26,451
Travel and accommodation	5,998	9,010	-	15,008
Total exploration costs	57,651	19,494	-	77,145
Balance, September 30, 2024	**$ 4,981,622**	**$ 11,476,556**	**$ 158,938**	**$ 16,617,116**

Mineral Creek Property

During 2022, Theia acquired a 100% interest in the Mineral Creek Property in consideration of the issuance of 1,365,220 common shares valued at $2,047,830. The Mineral Creek Property is located 12 kilometers southeast of Port Alberni, on Vancouver Island, British Columbia.

The vendor of the Mineral Creek Property retained a 1.0% Net Smelter Returns ("NSR") royalty.

As of September 30, 2024, Theia had a reclamation bond of $16,715 (December 31, 2023 - $16,715) on its Mineral Creek Property.

South Cariboo Property

The Company holds a collection of claims in British Columbia 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.

Greenfield Claims Options

As part of the land holdings in the South Cariboo Property, the Company is subject to certain mineral property agreements, including certain option agreements to acquire nearby and contiguous properties. These mineral property agreements are not part of the FG Gold or Gold Creek projects and are greenfield gold exploration projects named Hawk, and TEP claims (the "Greenfield Claims Options").

The TEP claim option has been fully exercised by Karus and imposes a future potential bonus payment on the Company of $1.50 per ounce of gold or gold equivalent identified as inferred, indicated, or measured in a NI 43-101 report. The TEP claim option includes a 2% NSR, of which one-half can be repurchased at any time prior to commercial production for $500,000.

The Hawk claim option includes a 1% NSR, of which one-half can be repurchased at any time prior to commercial production for $500,000. As at September 30, 2024, if the Company were to exercise its option on the Hawk claim, it would be required to make a future cash payment of $50,000 by December 31, 2024.

5. SHARE CAPITAL

Authorized
Unlimited number of common shares with no par value.

Issued and Outstanding
On February 14, 2024, in anticipation of the acquisition of Theia, Karus completed a consolidation of its outstanding common shares on the basis of one new consolidated share for every 10 outstanding shares. All references in these statements and notes to shares of Karus are on a post-consolidated basis.

During the nine-month period ended September 30, 2024, pursuant to the Theia Transaction, the Company issued 21,141,880 common shares to the original Theia shareholders.

The completion of the Theia Transaction triggered certain contractual provisions between Theia and its initial investors. As a result, during the period, the Company issued 2,612,559 additional shares to certain initial shareholders of Theia. The estimated fair value of the shares being $3,593,614 was estimated using the same valuation methodology as the shares in Note 3, and was recognized as a distribution of capital.

The Company also has an arrangement with Yamana Gold Inc. (“Yamana”, a subsidiary of Pan American Silver Corp whereby Yamana has rights to maintain a pro rata ownership interest of 1.89% in the Company on an undiluted basis at no additional cost to Yamana until the date the Company’s common shares are listed on a recognized stock exchange in Canada. As a result of these top-up provisions, the Company issued 49,377 shares to Yamana. If such listing of the Company’s shares does not occur by September 30, 2024 (extended to December 31, 2024), Yamana’s shareholding interest is to be topped up to 6.30% on an undiluted basis.

Stock Options
Pursuant to a rolling stock option plan (the “Option Plan”) for directors, officers, employees, and consultants, the Company may reserve a maximum of 10% of the issued and outstanding 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.

During the period ended September 30, 2024,

i) 292,500 stock options exercisable at $2.50 through March 7, 2026 were cancelled. At September 30, 2024, the Company had no stock options outstanding.
ii) signed agreements with directors to settle monthly director fees in options. At September 30, 2024, the commitment to issue options was valued at $98,630 and was included in accounts payable.

Restricted Share Units
Pursuant to a fixed Omnibus Plan (“Omnibus Plan”), the Company may reserve for issuance a maximum of 909,101 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

(Expressed in Canadian dollars unless otherwise stated)

Plan may be granted in a form as designated by the Board, including restricted share units, deferred share units, and other performance-based instruments.

During the period ended September 30, 2024, the remaining fair value of the RSU's, $128,925, was expensed as it was earned (Note 3).

As at September 30, 2024 the following RSUs were outstanding and exercisable:

Grant date	Number of RSUs outstanding	Number of RSUs exercisable
March 8, 2021	260,500	260,500
August 3, 2023	150,000	150,000
December 12, 2023	384,101	192,051
	794,601	602,551

6. RELATED PARTY TRANSACTIONS

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

As part of the Theia Transaction (Note 3), an initial investor and former officer of the Company, directly and through a controlled company acquired 7,021,888 shares of the Company. In addition, as a result of certain contractual provisions involving Theia, the Company issued to the same investor and former officer 1,494,343 additional shares (Note 5). Fair value of these additional shares was estimated to be $2,017,363 and was recognized as a distribution of capital.

Karus advanced a loan to KORE in the principal amount of US$225,000 (equivalent to $306,450) in August 2023, which is recorded in promissory note receivable. The loan was an interest free loan if repaid by October 12, 2023, after which it would accrue interest at 10% per annum. As the loan was still outstanding as of October 12, 2023, the Company started accruing interest on the promissory note receivable. The loan is guaranteed by a director of KORE. As at September 30, 2024, and the date of approval of these unaudited condensed interim consolidated financial statements, the loan remains outstanding, and Karus has demanded repayment. As at September 30, 2024 the Company is owed $304,065 (US$225,000) of principal from KORE and accrued interest of $29,408 (US$21,761), which is recorded in promissory note receivable. In addition, as at September 30, 2024, the amount owing by KORE to the Company, recorded in amounts receivable was $6,810 (December 31, 2023 - $6,810).

Key Management Compensation

Key management is comprised of the Company's directors and executive officers. Key management compensation for the nine-month period ended September 30, 2024 included:

i) $40,000 (year ended December 31, 2023 - $Nil) to a former officer of the Company for consulting services.
ii) $72,000 (year ended December 31, 2023 - $Nil) to the CEO for consulting services, including geological consulting services.
iii) $7,500 (year ended December 31, 2023 - $Nil) to a partnership in which the CFO has an interest for accounting services.
iv) $98,630 (year ended December 31, 2023 - $Nil) to a directors of the Company for director fees.

Included in the accounts payable and accrued liabilities as at September 30, 2024, is $165,194 (December 31, 2023 - $24,408) owed to a company controlled by a former officer, the current CEO and the partnership in which the CFO has an interest of the Company. The amounts are unsecured, non-interest bearing and have no specific due date.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value of Financial Instruments

The carrying values of cash, amounts receivable (with the exception of commodity tax receivable), advances, promissory note receivable, and accounts payable and accrued liabilities approximate fair values due to their short-term to maturity nature.

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 and note receivable.

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.

The promissory note represents a loan receivable from KORE and therefore carries counterparty risk. The total amount of promissory note receivable as at September 30, 2024 was $337,473, including accrued interest of $29,408, and remains outstanding as of the date of approval of these condensed interim consolidated financial statements. No allowance has been taken on the promissory note receivable balance as at September 30, 2024 as the Company is in discussions with KORE on repayment and is confident of recovering the carrying value given the personal guarantee from a director of KORE and the ability of KORE to issue common shares and/or cash to the Company to settle its outstanding obligations.

b. Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. As at September 30, 2024 the Company had working capital of $406,754 (December 31, 2023 – $220,986). The Company is an exploration stage entity and as a result, does not yet generate any revenue. Karus will seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available, or on terms that are favourable or acceptable to the Company. 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. The Company's financial liabilities 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 arises from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company holds its cash 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

As at September 30, 2024, the Company has certain monetary items (promissory note receivable) 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 a net change of approximately $34,500 in the consolidated net loss.

8. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and development of exploration and evaluation properties in Canada.

9. DEFERRED INCOME TAX LIABILITY

	As at September 30, 2024	As at December 31, 2023
Deferred tax assets (liabilities)		
Non-capital losses	$ 142,000	$ 108,000
Share issuance costs	8,000	8,000
Exploration and evaluation assets	(695,000)	(695,000)
Net deferred income tax liability	$ (545,000)	$ (579,000)