

**KORE MINING LTD.**

**Management's Discussion and Analysis**

**For the Six Months Ended June 30, 2021**



**KORE MINING LTD.**  
**Interim Management's Discussion and Analysis**  
**June 30, 2021**  
*(Expressed in Canadian dollars unless otherwise stated)*

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The following Management's Discussion and Analysis ("MD&A"), prepared as of August 30, 2021, should be read together with the unaudited consolidated interim financial statements of KORE Mining Ltd. ("KORE Mining" or the "Company") for the six month period ended June 30, 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 activities 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 35%.

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 permitted for exploration 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 fall 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, held 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.

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 Q2 Highlights**

During the three months ended June 30, 2021, and to the date of this MD&A, the Company accomplished the following:

- Announced that it has entered into a memorandum of understanding with the United States Forest Service ("USFS") and has engaged a third-party consultant to complete the environmental review for KORE's proposed exploration drilling program. KORE is currently accepting bids from drill contractors and working closely with the USFS to commence drilling in safe and responsible manner. KORE remains on track to commence drilling the exciting resource expansion and underlying feeder zone targets in 2021.
- Announced that it has entered into a memorandum of understanding with the Bureau of Land Management ("BLM") and engaged a third-party consultant to complete the environmental assessment for KORE's proposed exploration drilling program at Imperial. The proposed drill program consists of over 150 drill pads including new discovery targets on the Mesquite-Imperial-Picacho district ("District"), Imperial resource growth targets and drilling to support Imperial engineering. KORE is working closely with the BLM to commence drilling in a safe and responsible manner. Drilling is now expected in the second half of 2022.
- Closed its previously announced bought deal public offering (the "Offering"). Pursuant to the Offering, the Company issued 8,422,000 units (the "Units") of the Company at a price of \$0.95 per Unit for aggregate gross proceeds of \$8,000,900.
- Formed a new Board committee, an Environmental, Health, Safety and Sustainability committee to oversee KORE's environmental, social and governance practices, consisting of CEO Scott Trebilcock (Chair), Brendan Cahill and Don MacDonald. The formation of this committee will ensure these topics are added to the regular Board agenda and focus attention on enhancing programs and transparency.
- Subsequently, the Company provided an update for the Imperial project where Mesquite-Imperial-Picacho District exploration drilling will move to a separate, parallel permitting process to the Imperial resource zone drilling. The Company was also advised by the BLM that its view of Imperial mill site claim validity had changed from its positive 2002 view. The Company is weighing the options to challenge the view and is considering alternate locations for mill sites nearby the Imperial resource zone.

### **Outlook**

At Imperial, the Company's focus remains drilling the highest priority exploration targets at the Mesquite-Imperial-Picacho District in parallel with the start of mine permitting for the Imperial deposit. Drilling at the Mesquite East and Ogilvy exploration targets is now expected in H2 2022 and the Company is working with the BLM to determine the best path forward for Imperial resource zone drilling and to start mine permitting. The Company also plans to drill test resource growth and new discovery targets at the Long Valley project for which drill permits are expected in the near term with drilling in the fall of 2021. The Company continues target generation work at Imperial with additional sampling and mapping ongoing. 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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**Imperial, California, USA**

The Company has been actively expanding its footprint in Imperial County, and added a second geologist to the local staff, which includes a Manager of Communications, a Manager of Environmental and Regulatory Affairs and a Senior Project Geologist. The staff are based in a local office and warehouse space in Imperial City, California.

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 making new discoveries in the District and generated multiple high priority drill targets. Q2 continued sampling and field programs including a satellite alteration survey. All results pending. More work is planned in H2 2021 including: additional sampling and field mapping to further define existing targets and discover new targets.

The Company is engaging with the BLM to permit drilling to make new discoveries at the Mesquite-Imperial-Picacho district ("Regional Exploration Drilling") and to advance the existing Imperial gold deposit ("Imperial Zone") toward feasibility and mine permitting ("Imperial Zone Drilling"). Regional Exploration Drilling is expected to include exploration targets immediately east of the Mesquite Gold Mine (owned by Equinox Gold) - Mesquite East - and targets immediately west of the Imperial Project - Ogilvy - at minimum. Imperial Zone Drilling is intended to grow the current resource, develop a geology model and deliver samples for metallurgical and geotechnical testing.

KORE is reviewing its options to separately pursue Imperial Zone Drilling and Regional Exploration Drilling through two distinct plans of operations. The objective of this shift in strategy would be to streamline permitting of Regional Exploration Drilling, while continuing on a separate, parallel path for permitting the Imperial Zone Drilling program, which is independent from, and subject to different regulatory and technical requirements from Regional Exploration Drilling. This would potentially simplify the permitting process for Regional Exploration Drilling with the aim of reducing the timeline to when such program could commence.

Permitting the Regional Exploration Drilling locations will likely be able to leverage the already completed biological resource assessment and other work completed at Mesquite East and Ogilvy target areas. The Environmental Assessment report submission for this plan of operations is expected to be submitted by KORE's management in Q4 2021 with permitting completion currently anticipated to be obtained in H2 2022.

KORE is continuing to work closely with BLM to determine the appropriate path forward for progressing Imperial Zone Drilling permitting.

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**

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 the fall of 2021 subject to 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 mineral 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 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.

Drill program permitting is progressing and a permit from the U.S. Forest Service ("USFS") is expected in Q3 2021.

## **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.

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 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 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 and amended June 10, 2021 – see the Company’s website for full information and disclaimers. The Imperial PEA, with an effective date of April 6, 2020 and amended report filed on June 10, 2021, 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 and Glen Cole, P.Geol 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.

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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.

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

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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, 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 fall 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 (amended June 7, 2021) – 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, with an amended report filed on June 7, 2021, 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>
<b>Indicated</b>				
<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>	
<b>Inferred</b>				
<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 Prenn 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 year-to-date exploration and evaluation expenses by project for the six months ended June 30, 2021:

As at June 30, 2021	Long Valley	Imperial	Other
Acquisition Costs	\$482,083	\$1,239,415	\$ -
For the period ended June 30, 2021	Long Valley	Imperial	Other
Claim, staking, holding and taxes	\$ 85,953	240,466	-
Community engagement	-	-	-
Engineering and development	(1,417)	141,130	-
Geophysics and ground prospecting	98,544	108,648	-
Permitting and environment	8,756	194,027	-
Project administration and support	-	46,615	-
Consultants, professional fees and wages	237,379	379,510	-
Technical reports and studies	2,621	202,817	-
Travel, logistics & camp costs	-	57,759	-
Recovery of costs in connection with Spinout	-	-	(23,357)
	431,836	1,370,972	(23,357)

**Results of Operations**

During the six months ended June 30, 2021, the Company's net income was \$4,722,468 respectively (Net loss for June 30, 2020 - \$2,698,473), which is an increase of \$7,420,941 over the comparative period in 2020. The main contributor to the increase is the gain on distribution of Karus Gold of \$9,355,106 for the six months ended June 30, 2021. Operating expenses for the six months ended June 30, 2021 were \$4,578,843 compared to \$2,720,996 for the six months ended June 30, 2020, an increase of \$1,857,847, primarily attributable to an increase in marketing of \$329,371 (increased outreach compared to Q2 2020), an increase in share-based payments of \$366,561 (correlates with vesting of compensatory equity instruments), and an increase in exploration and evaluation expenses of \$504,125 (due to increased activity at Imperial & Long Valley). In addition, the Company received \$407,242 of recoveries during the six months ended June 30, 2021 from Karus Gold which decreased professional fees, general and administration, and management fees, wages and corporate advisory fees.

During the three months ended June 30, 2021, the Company's net loss was \$2,215,605 (Net loss for June 30, 2020 - \$1,288,253), which is an increase of \$927,352 over the comparative period in 2020. Operating expenses for the three months ended June 30, 2021 were \$2,170,343 compared to \$1,302,131 for the three months ended June 30, 2020, an increase of \$868,212, primarily attributable to an increase in professional fees of \$231,888 due to increased activity with the spinout, financings and auditor involvement, an increase in management fees and wages of \$283,274 as a result of having additional support in 2021 including VP, Investor Relations, and increase in exploration and evaluation expenses of \$304,089 (due to increased activity at Imperial & Long Valley), all of which is offset by a decrease in marketing of \$148,110 as a result of less marketing efforts in Q2 2021.

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

	30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-19	30-Sep-19
Net income (loss)	(2,215,605)	6,938,073	(3,647,534)	(2,849,476)	(1,288,253)	(1,410,220)	(1,105,631)	(1,728,325)
Basic & diluted earnings (loss) per share	(0.02)	0.07	(0.04)	(0.03)	(0.01)	(0.02)	(0.01)	(0.02)

**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.

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 June 30, 2021, the Company had a cash balance of \$7,566,041 and working capital of \$6,999,109 with current liabilities of \$986,805. The Company has incurred losses since inception and does not generate any cash inflows from operations. For the six months ended June 30, 2021, cash used in operating activities totaled \$4,517,678.

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 six months ended June 30, 2021 was \$4,517,678 (2020 - \$2,306,759). 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 six months ended June 30, 2021 was \$7,392,756 (2020 - \$3,329,853), primarily attributable to the bought deal financing.

With respect to the June 2021 prospectus-based financing, the table below compares the pro-forma sources and uses of funds with the actual sources and uses of funds. All amounts are in Canadian dollars.

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Source of funds	Pro forma	Actual	
Gross proceeds	\$ 8,000,900	\$ 8,028,098	
Agent commissions	(480,054)	(446,956)	
Other costs	(300,000)	(230,410)	
	\$ 7,220,846	\$ 7,350,732	
Uses of funds	Pro forma	Actual	Explanation
Imperial exploration	\$ 1,500,000	\$ 14,000	In progress
Imperial mine permitting	1,500,000	83,000	In progress
Long Valley exploration	1,250,000	58,000	Drill permit in progress
Other property costs	750,000	288,000	Partial payment of claim fees
General & Admin - working capital	2,200,000	NA	
	\$ 7,200,000	\$ 443,000	

**Outstanding Share Data**

The Company's authorized share capital consists of an unlimited number of common shares without par value. At June 30, 2021, there were 114,646,912 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>114,646,912</b>		
Warrants	3,000,000	\$1.50	22-Jul-22
Warrants	500,000	\$1.50	27-Jul-22
Warrants	4,550,975	\$1.35	18-Jun-23
Warrants	468,751	\$0.95	18-Jun-23
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	375,000	\$0.62	29-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
Stock Options	1,700,000	\$0.62	29-Jul-26
Restricted Stock Units	248,000	NA	NA
<b>Fully Diluted at August 30, 2021</b>	<b>133,856,306</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 June 30, 2021, the Company had working capital of \$6,999,109 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 \$7,566,041 to settle current liabilities of \$986,805. 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 June 30, 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 \$18,849 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 June 30, 2021, there was \$77,719 included in receivables as due from Karus Gold for reimbursement of general and administrative costs for the period from January 25 to June 30, 2021 (June 30, 2020 - \$nil).

Amounts owing to related parties are unsecured, non-interest bearing and due on demand. As at June 30, 2021, \$329,167 (2020 - \$75,468) is due to related parties, which is inclusive of a provision of \$312,500 for management bonuses for the year-ended December 31, 2020

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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 six months ended June 30, 2021, total key management compensation was \$653,193 (2020 - \$547,150), which includes management fees and salaries of \$416,959 (2020 - \$366,969), and share-based compensation of \$236,234 (2020 - \$180,181).

#### **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 of the financial statements for the six months ended June 30, 2021.

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 of the financial statements for the six months ended June 30, 2021). 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

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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.

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**

See the 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, as well as the risks noted below:

#### The Company's Current and Future Operations are Subject to Environmental, Social and Governance Risks

There are evolving expectations related to environmental protection, human rights and indigenous rights and an increasing level of public concern relating to the perceived effect of mining activities on communities, including certain environmental and social aspects such as water consumption and water quality, land use, noise and vibration, dust and air quality, mine closure, and employment and economic development opportunities. Increased global awareness for the impacts of climate change has contributed to this growing public concern. Further, sustained periods of stress on local economies may increase scrutiny of and pressure on mining operations over the long term. While the Company is dedicated to establishing mutually rewarding relationships with all of its stakeholders, there can be no assurance regarding the nature of the relationship with such stakeholders or that required key approvals, permits or licenses will be obtained when and as necessary.

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Opposition to mining activities by communities or indigenous groups may ultimately affect permitting or approval processes, current and future exploration, or further development or new development of projects, as well as the Company's reputation. Such opposition may be directed through legal or administrative proceedings or expressed in manifestations such as protests, roadblocks or other forms of public expression against our activities and may have a negative impact on the Company's reputation and ability to execute planned exploration and development.

Opposition by any of the aforementioned groups to the Company's operations, partners, regulators or the industry generally may require modification, or preclude the exploration or development, of the Company's projects or may require it to enter into agreements with such groups or local governments with respect to the Company's projects, in some cases, causing increased cost and considerable delays to the advancement of its projects. While the Company is committed to operating in a socially responsible manner, there can be no assurance that its efforts, in this respect, will mitigate this potential risk.

#### The Company's Quiet Title Action May Not Be Successful

The Company has engaged an independent law firm to manage its quiet title action with respect to a 1.5% royalty interest held by a now-dissolved entity with respect to the Imperial Project in Imperial County, California. Pursuant to a title review performed by a separate independent law firm, there was no recorded conveyance or assignment of the 1.5% royalty interest held by a now-dissolved entity prior to the dissolution of such royalty holder, pursuant to which the Company also holds a right of first refusal for any conveyance or transfer. Accordingly, the Company has treated this royalty as if it no longer exists and will investigate actions to formally discharge this royalty. The results of such legal proceedings cannot be predicted with certainty and the outcome of such legal proceedings may not result favorably for the Company and may affect the overall profit and revenue stream of the Imperial Project if the royalty is not discharged. Additionally, any determination adverse to the Company's interests may also result in the Company being liable to the counterparty for legal and other fees. The process may also result in taking away certain time and effort from the Company's management and will include the payment of certain legal fees.

#### Mineral Validity Examination of the Mill Site Claims at Imperial

As part of the current exploration permitting activity being performed at Imperial, the US Bureau of Land Management ("BLM") performed a Mineral Validity Examination on the Mill Site claims at Imperial. In 2002 a Mineral Validity Examination was performed on the claims at Imperial which confirmed that both the Lode Claims (claims that contain the mineralization) and Mill Site Claims (claims where project infrastructure and processing facilities will be located) were valid. The BLM conducted a Mineral Validity Examination on 11 of the Mill Site claims where the Company has proposed drilling geotechnical and hydrogeological borings and the BLM has changed their view on the 11 Mill Site Claims validity since the 2002 Mineral Validity Examination. The loss of any future administrative review processes or other challenges that the Company intends to pursue may result in the Company having to relocate certain future facilities to areas that are not within the Indian Pass Mineral Withdrawal which may require capital expenditures and may result in delay or restricted production or result in potential challenges with respect to certain of the Lode Claims, including the possibility that the BLM may require and/or conduct further Mineral Validity Examinations with respect to the Imperial Project.

Kore is subject to significant governmental regulations and related costs and delays may negatively affect business.

Mining activities are subject to extensive federal, state and local regulations governing environmental protection, natural resources, prospecting, development, production, post-closure reclamation, taxes, labor standards and occupational health and safety laws and regulations, and other matters. The costs associated with compliance with such laws and regulations are substantial. Possible future laws and regulations, or more restrictive interpretations of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of operations and delays in the development of new properties.

Various governmental permits are required to conduct exploration, development, construction and mining activities. Obtaining the necessary governmental permits is often a complex and time-consuming process involving numerous United States federal, state, and local agencies. The duration and success of each permitting effort is contingent



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upon many variables not within the Company's control. In the context of obtaining permits or approvals, the Company must comply with known standards, existing laws, and regulations that may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the interpretation of the laws and regulations implemented by the permitting authority. The failure to obtain certain permits or adoption of more stringent permitting requirements could have a material adverse effect on business, operations, and properties and the Company may be unable to proceed with current or future exploration and development programs.

Federal legislation and implementing regulations adopted and administered by the BLM and other federal agencies have a direct bearing on exploration, development and mining operations in the United States. Due to the uncertainties inherent in the permitting process, the Company cannot be certain that it will be able to obtain required approvals for current or future proposed activities in a timely manner, or that the Company's current or future proposed activities will be allowed at all.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, which may require corrective measures including 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 be subject to civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Any such penalties, fines, sanctions or shutdowns could have a material adverse effect on business and results of operations.

**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).