MANAGEMENT'S DISCUSSION AND ANALYSIS

Three Months Ended March 31, 2021 and 2020
(in thousands of Canadian dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of the operations of Karora Resources Inc. and its subsidiaries ("**Karora**", "**Karora Resources**", or the "**Corporation**") and constitutes management's review of the factors that affected the Corporation's financial and operating performance for the three months ended March 31, 2021 and 2020. This MD&A should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements and related notes for the three months ended March 31, 2021 and 2020, which are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as applicable to the presentation of interim financial statements including International Accounting Standard ("**IAS**") 34, Interim Financial Reporting, as well as other reports filed on SEDAR. The unaudited condensed interim consolidated financial statements should also be read in conjunction with the audited consolidated financial statements and the related notes for the year ended December 31, 2020, together with the notes thereto which have also been prepared in accordance with IFRS. This MD&A contains certain forward-looking statements and reference should be made to the cautionary language at the end of this MD&A.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Corporation's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors.

Additional information relating to the Corporation, including its Annual Information Form for the most recently completed fiscal year is available on SEDAR at www.sedar.com. The Corporation is a reporting issuer under applicable securities legislation in each of the provinces of Canada and its outstanding common shares are listed on the Toronto Stock Exchange under the symbol "**KRR**".

Certain non-IFRS measures are included in this MD&A. The Corporation believes that these measures provide investors an improved ability to evaluate the underlying performance of the Corporation. The non-IFRS measure should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

Dollar amounts are reported in Canadian dollars, unless otherwise noted. Information contained herein is presented as at May 7, 2021 unless otherwise indicated.

The technical and scientific information contained in this MD&A related to Beta Hunt Mine ("**Beta Hunt**"), Higginsville Gold Operations ("**HGO**") and the Spargos Reward Gold Project ("**Spargos**" or "**Spargos Reward**") has been reviewed and approved by Steve Devlin, Group Geologist, Karora Resources Inc., and a qualified person for the purposes of National Instrument ("**NI**") 43-101 – *Standards of Disclosure for Mineral Projects.*

1. DESCRIPTION OF BUSINESS

Karora is a multi-asset mineral resource company. The Corporation's main assets are its 100% interests in the Beta Hunt Mine, Higginsville Gold Operations and Spargos project, all of which are located in Western Australia. Beta Hunt, HGO and Spargos are held through Karora Resources Pty Ltd, a 100% owned subsidiary of Karora.

Beta Hunt is a gold producing operation with nickel by-product credits and has historically delivered a number of high-grade coarse gold discoveries, including the Father's Day Vein discovery ("**Father's Day Vein**") announced in September 2018.

Karora acquired the HGO operations on June 10, 2019, which includes a 1.4 million tonnes per annum ("**Mtpa**") gold treatment plant, a large historical resource inventory, substantial portfolio of gold tenements and a series of open

pits, two of which are currently being mined (Baloo and Hidden Secret) and a solid pipeline of potential open pit and underground operations.

In August 2020, the Corporation acquired Spargos which has the potential to be an additional high-grade gold feed source for the HGO treatment plant.

With the integration of the Beta Hunt and Higginsville Operations well advanced, Karora is now focused on growing the business through sustainable organic production growth and further accretive acquisitions of properties and/or precious metals companies.

In anticipation of and in response to the global COVID-19 pandemic, the Corporation's protocols and contingency plans have mitigated impacts of the pandemic. All of the Corporation's mines continued production during the first quarter ended March 31, 2021 and year ended December 31, 2020, as the Corporation's ongoing response to the COVID-19 pandemic continued to maintain the safety of its workforce and host communities while mitigating operational impacts.

Further information regarding each of these projects, and the related developments in respect of each, is provided under section 3, Operational Overview, Project Updates and New Developments.

2. EXECUTIVE SUMMARY

A condensed summary of the Corporation's performance for the quarters ended March 31, 2021 and 2020 is shown below.

(in thousands of dollars except per share amounts)

For the three months ended March 31,	**2021**	2020
Revenue	**$59,284**	$54,282
Production and processing costs	**29,301**	27,286
Earnings before income taxes	**10,336**	884
Net earnings	**5,624**	539
Net earnings per share - basic	**0.04**	0.00
Net earnings per share - diluted	**0.04**	0.00
Adjusted EBITDA [1,2]	**21,210**	19,434
Adjusted EBITDA per share - basic [1,2]	**0.15**	0.14
Adjusted earnings [1,2]	**8,087**	10,655
Adjusted earnings per share - basic [1,2]	**0.06**	0.08
Cash flow provided by operating activities	**18,658**	12,204
Cash investment in property, plant and equipment and mineral property interests	**(18,193)**	(7,702)

1. Non-IFRS: the definition and reconciliation of these measures are included in the Non-IFRS Measures section 14 of this MD&A.
2. Earnings before interest, taxes, depreciation and amortization ("**EBITDA**").

For the periods ended March 31,	Three months ended 2021	2020
Gold Operations (Consolidated)		
Tonnes milled (000s)	**371**	314
Recoveries	**93%**	93%
Gold milled, grade (g/t Au)	**2.16**	2.35
Gold produced (ounces)	**24,694**	24,816
Gold sold (ounces)	**25,547**	24,626
Average realized price (US $/oz sold)	**$1,762**	$1,493
Cash operating costs (US $/oz sold)[1]	**$952**	$965
All-in sustaining cost (AISC) (US $/oz sold)[1]	**$1,049**	$1,101
Gold (Beta Hunt Mine)[1]		
Tonnes milled (000s)	**233**	186
Gold milled, grade (g/t Au)	**2.63**	2.58
Gold produced(ounces)	**18,261**	17,170
Gold sold (ounces)	**18,754**	17,078
Cash operating cost (US $/oz sold)[1]	**$899**	$944
Gold (HGO Mine)		
Tonnes milled (000s)	**138**	128
Gold milled grade (g/t Au)	**1.57**	2.00
Gold produced (ounces)	**6,433**	7,646
Gold sold (ounces)	**6,793**	7,548
Cash operating cost (US $/oz sold)[1]	**$1,100**	$1,013

1. Non-IFRS: the definition and reconciliation of these measures are included in the Non-IFRS Measures section 14 of this MD&A.

First Quarter and Recent Highlights

- First quarter 2021 consolidated gold production of 24,694 ounces and gold sales of 25,547 ounces was on track with budget, positioning the Company well to deliver 2021 guidance. Full year consolidated 2021 gold production guidance of 105,000 to 115,000 ounces is maintained (assumes no significant interruption in operations as a result of the COVID-19 virus).
- First quarter 2021 consolidated all-in-sustaining-costs ("**AISC**")[1] of US$1,049 per oz. was inline with the full year 2021 guided range of US$985-$1,085 per ounce.
- Net earnings of $5.6 million, or $0.04 per share for the first quarter of 2021, up $5.1 million from $0.5 million in the first quarter of 2020.
- Adjusted earnings[1] of $8.1 million, or $0.06 per share for the first quarter of 2021, down $2.6 million from $10.7 million in the first quarter of 2020.
- Adjusted EBITDA[1] was $21.2 million or $0.15 per share for the first quarter of 2021, down $12.7 million from $33.9 million in the fourth quarter of 2020.
- Cash flow from operating activities of $18.7 million, a 53% increase compared to $12.2 million for the first quarter of 2020.
- Cash Position and Balance Sheet: Karora ended the first quarter of 2021 with a strong cash position of $76.7 million, and working capital of $63.2 million, slightly lower by $3.0 million and slightly higher by $6.4 million, respectively, from December 31, 2020. The cash position decrease was due to timing of planned investment into Karora's assets as part of 2021's capital program as well as the second, and final, US$2.5 million (A$3.2 million) cash payment to Maverix Metals as part of the Beta Hunt royalty buy back agreement announced on June 30, 2020.
- Phase I mill expansion to increase capacity by 15%, or 550 tonnes per day, to 1.6 million tonnes per annum is proceeding ahead of schedule having already achieved an annualized production rate of 1.5 million tonnes per annum (up from the prior capacity of 1.4 million tonnes per annum).

- At Beta Hunt's Larkin Zone, drilling intersected 19.0 g/t gold over 9.0 metres, including 542 g/t over 0.3 metres in hole EL-EA2-023E with visible gold mineralization observed in the drill core. The Larkin Zone discovery was announced in September 2020.
- Second new high grade nickel discovery at Beta Hunt in the last six months, known as the "Gamma Zone - 50C", where 11.6% nickel over 4.6 metres, including 18.4% nickel over 2.2 metres was intersected in hole G50-22-005E. The drilling, which was targeting nickel, also intersected gold mineralization above and below the 50C trough and suggests the Beta Hunt gold mineralized system extends for over 3.5 kilometres of strike from the northern end of the A Zone.
- At the Lake Cowan prospect, air core drilling on the dry salt lake returned an interval of 1.35 g/t gold over 50 metres, including 3.64 g/t over 16 metres from hole HIGA8864, an excellent result from first pass drilling in this underexplored area.
- At the Spargos Reward Gold Project, continued strong drilling results were announced, including 6.1 g/t over 14.0 metres in hole SPDD0003, which confirmed the interpreted high grade gold plunging shoot thesis by extending the shoot to over 300m down-plunge (remains open down-plunge).

Despite ongoing challenges associated with COVID-19, Karora reported a strong start to 2021, with first quarter production totalling 24,694 ounces, in line with expectations. First quarter AISC was US$1,049 per ounce sold, a US$52 improvement over the first quarter of 2020. While the Corporation does not currently anticipate any significant impact on the Corporation's operations, including with respect to suppliers, service providers and employees due to the ongoing global COVID-19 pandemic, management monitors developments in order to be in a position to take appropriate actions as needed. Management also elected to maintain increased Run of mine ("**ROM**") stockpile levels should disruptions to the mine site or supply chain occur in the future.

Financially, the strong operational start to the year generated adjusted EBITDA[1] of $21.2 million, or $0.15 per share. Working capital was $63.2 million as of March 31, 2021, an improvement of $6.4 million compared to working capital of $56.8 million for the period ended December 31, 2020.

Karora is maintaining its consolidated production and cost guidance for its Australian operations (Beta Hunt and HGO) of 105,000 to 115,000 ounces of gold at an average AISC[1] of US$985 to US$1,085 per ounce sold. As previously reported (see Karora news release dated January 19, 2021), Karora expects gold grades to increase over the course of 2021 as higher grade production from new mining areas in the Higginsville Central area come online and with the anticipated start-up of mining at the high grade Spargos open pit project by mid-year. As a result, 2021 gold production and grades are expected to be higher in the second half of the year compared to the first half.

1. Non-IFRS: the definition and reconciliation of these measures are included in section 14 Non-IFRS Measures of this MD&A.

3. Operational overview, Project Updates and New Developments

Consolidated Operations

The first quarter of 2021 represents the seventh consecutive quarter of consistent production of approximately 25,000 gold ounces since the acquisition of the Higginsville Mill in mid-2019. The Corporation's pre-emptive planning and mitigation efforts implemented by management at the Corporation's Western Australian operations have proven to be successful over this period of time in managing the numerous challenges associated with severe impact of bushfires in late 2019 and early 2020, subsequent flooding events in the region, followed by the COVID-19 pandemic. Management continues to monitor developments in order to be in a position to take appropriate actions as needed to ensure the health and safety of its personnel and maintain its operations.

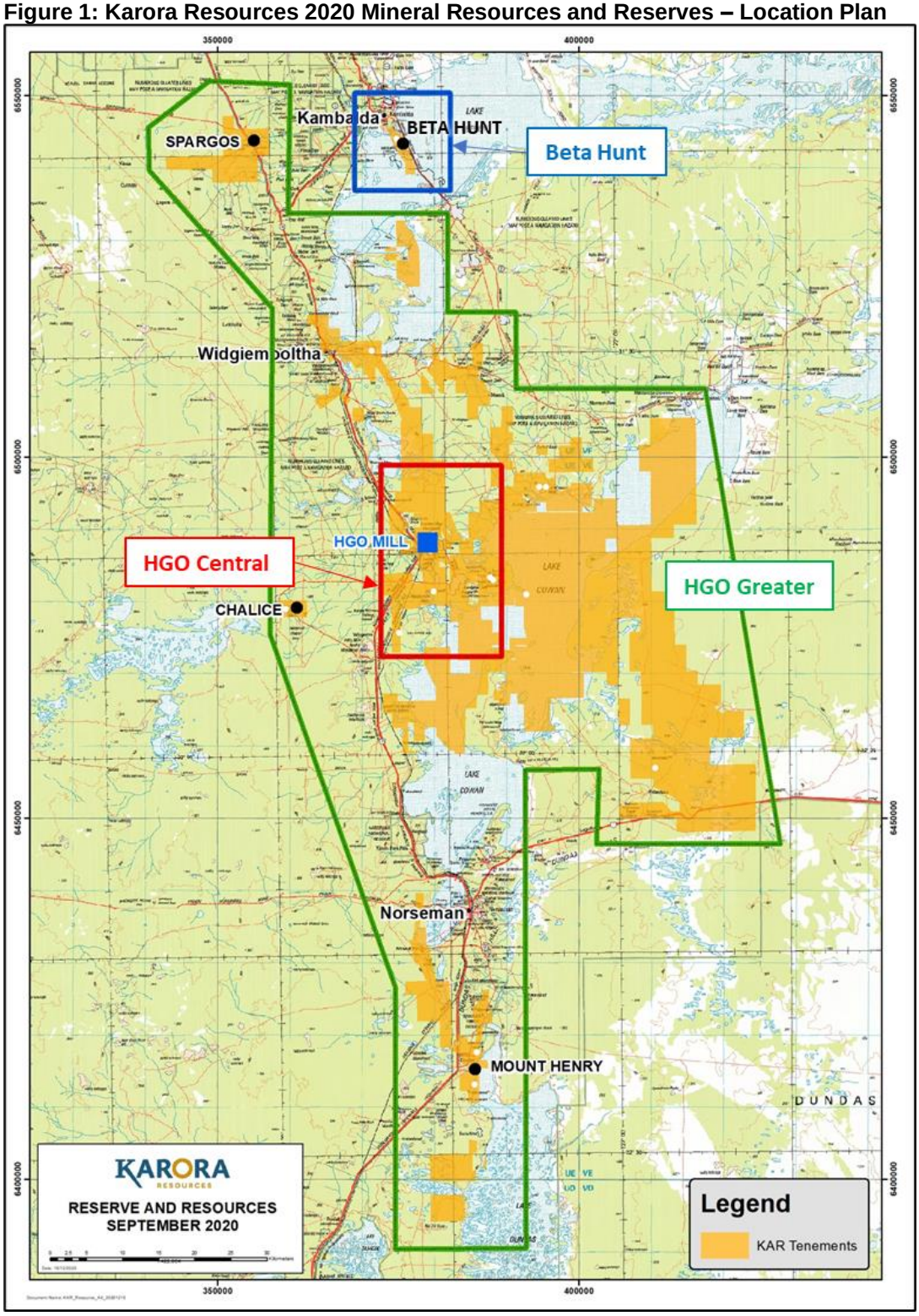
First quarter 2021 production was 24,694 ounces, flat compared to 24,816 ounces produced in the first quarter of 2020. Cash costs for the first quarter of 2021 were US$1,049 per ounce. The HGO mill feed was approximately 63% material from Beta Hunt underground and 37% from HGO open pits.

Higginsville Operations Overview

The HGO operations are located along the Norseman-Wiluna greenstone belt that hosts a number of world class mining centres, including Kalgoorlie (+60.0M gold ounces produced), St. Ives (+14.0M gold ounces produced) and Norseman (+6.0M gold ounces produced). The HGO tenement package is situated close to St. Ives and Norseman and totals approximately 1,900 square kilometres (combined mining and exploration tenements). The area has a strong history of gold mining commencing in the late 1800s, and most recently by Avoca Mining and Westgold. The HGO treatment plant was constructed in 2009 to treat ore from the underground Trident deposit (1.0 million gold ounces produced), followed by a number of open pits and, immediately prior to its acquisition by Karora, the toll treatment of third-party material. Since the acquisition of HGO, Karora has consistently fed the HGO treatment plant at 100% capacity with its feed from Karora properties.

The elimination of the Morgan Stanley NSR royalty in 2020 has unlocked opportunities for Karora to re-evaluate a large number of known historical gold resource targets previously negatively impacted by the onerous royalty. Importantly, these targets are all located within trucking distance of the HGO mill, typically near surface and have low cost open pit mining potential.

Figure 1: Karora Resources 2020 Mineral Resources and Reserves – Location Plan



The HGO Gold Mineral Resource and Reserve inventory, as shown in Figure 1, is split into two main areas – HGO Central and HGO Greater. The former covers Mineral Resources within a radius approximately 10 kilometres of the HGO mill, while HGO Greater covers all Mineral Resources that fall outside the HGO Central area. HGO Central, the

focus of near and medium term mining, hosts a high grade Mineral Reserve of 218,000 ounces at 2.0 g/t. On February 1, 2021, the Corporation filed a technical report for the Beta Hunt Mine and HGO entitled "Technical Report Higginsville-Beta Hunt Operation, Eastern Goldfields, Western Australia". This report can be found on Karora's website at www.karoraresources.com and under its profile at www.sedar.com.

Higginsville Gold Mineral Reserves as at September 30, 2020

Mineral Reserve	Proven			Probable			Proven & Probable		
	Kt	g/t	Koz	Kt	g/t	Koz	Kt	g/t	Koz
HGO Central	340	2.2	24	3,016	2.0	194	3,357	2.0	218
HGO Greater	7,988	1.3	333	5,454	1.5	268	13,442	1.4	602
Stockpiles	175	0.8	5	778	0.8	21	953	0.8	25
Total	**8,503**	**1.3**	**362**	**9,249**	**1.6**	**483**	**17,752**	**1.5**	**845**

Higginsville Gold Mineral Resources as at September 30, 2020

Mineral Resource	Measured			Indicated			Measured & Indicated			Inferred		
	Kt	g/t	Koz	Kt	g/t	Koz	Kt	g/t	Koz	Kt	g/t	Koz
HGO Central	953	**3.0**	91	3,266	**2.8**	291	4,219	**2.8**	382	1,455	**3.1**	145
HGO Greater	12,234	**1.3**	508	12,094	**1.4**	540	24,328	**1.3**	1,048	3,126	**1.6**	165
Stockpiles	175	**0.8**	5	1,273	**0.7**	30	1,448	**0.7**	35	-	**-**	-
Total	**13,362**	**1.4**	**604**	**16,633**	**1.6**	**862**	**29,994**	**1.5**	**1,466**	**4,581**	**2.1**	**310**

HGO Operations

Tonnes milled during the first quarter of 2021 were 138,000 tonnes at a grade of 1.57 g/t, a 8% improvement and a 22% decrease compared to the first quarter of 2020, respectively. Total HGO gold production was 6,433 ounces at a cash cost of US $1,103 per ounce during the first quarter of 2021. The previously announced Phase I mill expansion is proceeding ahead of schedule having already achieved an annualized production rate of 1.5 million tonnes per annum (up from the prior rate of 1.4 million tonnes per annum). Once completed, the Phase I expansion will increase production capacity at our Higginsville mill in 2021 by approximately 15%, or 550 tonnes per day, to 1.6 million tonnes per annum from the prior capacity.

Baloo Open Pit

Minimal production occurred during the first quarter of 2021 at Baloo with mining focused primarily at Hidden Secret. Mine production from Baloo totaled 21,355 tonnes for the quarter. A re-optimization of the pit was completed with additional mineralization identified in the northern portion of the pit which has driven the development of a new ramp from the south to allow ore to be mined from the North eastern corner.

Hidden Secret and Mousehollow Open Pits

At Hidden Secret, mining continued in the first quarter of 2021. Mine production from Hidden Secret totaled 141,078 tonnes for the quarter and maintained metallurgical recoveries that were aligned with testwork at 92-93%. At Mousehollow, grade control work commenced during the quarter which will provide Karora additional operational flexibility and mill feed optimization once mining of the pit is started.

Aquarius and Two Boys Projects

The high-grade Aquarius and Two Boys deposits are located less than two kilometres from the HGO treatment plant. A near surface drilling program at Aquarius was completed during the third quarter of 2020 with some follow up drilling in the fourth quarter. Based on the results of this work, an initial mining study to examine the economic potential of the project has been completed. The near surface drilling identified a number of high grade supergene gold intersections, including 43.5 g/t over 3.0 metres and 5.7 g/t over 6.0 metres (see Karora news release dated November 9, 2020). A starter pit will be developed to access the higher grade underground gold mineralization. Development of the Aquarius starter pit could commence as early as mid 2021.

The existing Aquarius historical resource[1,2] is 20 kt @ 19.5 g/t (Measured and indicated) and 43 kt @ 4.2g/t (Inferred) and will be updated as part of the Corporations 2021 resource report.

At Two Boys, dewatering and exploratory underground development has significantly advanced during the first quarter of 2021. Mining ore is expected to commence early in the second quarter of 2021. Results were received for limited resource definition drilling completed in the fourth quarter of 2020 and indicate support for the current mineralization interpretation.

[1] Karora Resources profile at www.sedar.com technical report, February 6th, 2020.

[2] Westgold 2018 Annual Update of Mineral Resources & Ore Reserves dated October 2, 2018 and is available to view on the ASX (www.asx.com.au).
A qualified person has not done sufficient work on behalf of Karora to classify the historical estimate noted as current mineral resources and Karora is not treating the historical estimates as current mineral resources.

Spargos Reward Gold Project

The Spargos Reward acquisition was completed on August 7, 2020. Spargos is a historic high-grade open pit and underground gold project located approximately 50 kilometres north of Higginsville.

In late 2020, the Corporation negotiated the elimination of a 3% gold royalty covering the Spargos Reward tenement for total consideration of Australian dollar ("**A$**") A$3 million, satisfied with A$2 million in cash and 264,187 common shares of the Corporation at $3.54/share. Much like the elimination of the Morgan Stanley NSR at Higginsville, the Corporation anticipates that this will further improve already strong pit economics as well as drive exploration successes across the land package.

Following completion of the infill and extensional drilling program work commenced on producing an updated Mineral Resource which is planned for release in the second quarter of 2021 in line with the commencement of mining at Spargos. Initial open pit design, flora and fauna surveys, waste characterisation and infrastructure location have all been completed, and the final mine plan was submitted for mining approval with the appropriate authorities.

Beta Hunt Operations Overview

The Beta Hunt Mine is located approximately 70 kilometres by road north of the HGO operations. Ore from Beta Hunt is blended with open pit material from Higginsville into the HGO treatment plant.

Beta Hunt is a mechanized underground mine that has been in operation since 1974 as a producing nickel mine and commenced gold production in 2015. The mine is now primarily focused on gold production, with a smaller nickel operation producing from adjacent discrete mineralized zones. Gold production is sourced from two main zones – Western Flanks and A Zone. Exploration continues to focus on both gold and nickel.

Beta Hunt Operations

Production for the first quarter of 2021 was 219,000 tonnes mined, a 33% increase over the first quarter of 2020, and 233,000 tonnes milled, a 25% increase over the first quarter of 2020. Gold production was 18,261 ounces at a cash cost of US$899 per ounce in the first quarter of 2021.

The ramp up in production is a direct reflection of improved mining techniques and a staged fleet replacement and upgrade program which has seen the addition of a CAT R2900 underground loader and two CAT AD60 trucks into the mining fleet. Two CAT R2900 underground loaders and two CAT AD60 trucks are planned for 2021 which are required as part of a planned production ramp up over the course of the year. The first of these two new trucks recently hauled its first load of ore at Beta Hunt in May.

Nickel production is currently limited to remnant nickel resources south of the Alpha Fault; however, recent drilling has identified a number of new areas including the 30C Nickel Trough where production can potentially be increased as well as the new Gamma Zone-50C discovery.

As announced on April 6, 2021, the Corporation made a second new high grade nickel discovery at Beta Hunt at Beta in the last six months, known as the "Gamma Zone - 50C", where 11.6% nickel over 4.6 metres, including 18.4% nickel over 2.2 metres was intersected in hole G50-22-005E. The drilling, which was targeting nickel, also intersected gold mineralization above and below the 50C trough and suggests the Beta Hunt gold mineralized system extends for over 3.5 kilometres of strike from the northern end of the A Zone

A revised nickel production strategy is currently being developed, based on the updated nickel mineral resource release as part of the recent Karora Resource and Reserve as at September 30, 2020.

The current Beta Hunt Gold Mineral Reserve estimate totals 482,000 ounces (5.78 Mt at an average grade of 2.6 g/t). On February 1, 2021, the Corporation filed a technical report for the Beta Hunt Mine and HGO entitled "*Technical Report Higginsville-Beta Hunt Operation, Eastern Goldfields, Western Australia*". This report can be found on Karora's website at www.karoraresources.com and under its profile at www.sedar.com.

The high-grade coarse gold discoveries associated with the shear zone / Lunnon Sediment intersection horizon, such as the Father's Day Vein, are not represented in the resource model due to the extreme nuggety nature of this type of mineralization. While the Corporation's understanding of these occurrences and their geological setting continues to improve, at present these occurrences are best considered as a potential periodic significant bonus to mine production.

Beta Hunt Gold Mineral Reserves as at September 30, 2020

Mineral Reserve	Proven			Probable			Proven & Probable		
	Kt	g/t	Koz	Kt	g/t	Koz	Kt	g/t	Koz
Western Flanks	245	2.4	19	4,411	2.7	381	4,657	2.7	400
A Zone	84	2.5	7	1,039	2.3	75	1,123	2.3	82
Total	**329**	**2.4**	**26**	**5,450**	**2.6**	**456**	**5,780**	**2.6**	**482**

Beta Hunt Gold Mineral Resources as at September 30, 2020

Sept-2020 Mineral Resource	Measured			Indicated			Measured & Indicated			Inferred		
	Kt	g/t	Koz	Kt	g/t	Koz	Kt	g/t	Koz	Kt	g/t	Koz
Western Flanks	451	2.4	35	8,816	2.8	800	9,267	2.8	835	4,133	2.7	360
A Zone	180	2.4	14	2,553	2.5	206	2,733	2.5	220	2,013	2.7	177
Total	**631**	**2.4**	**49**	**11,369**	**2.8**	**1,006**	**12,000**	**2.7**	**1,055**	**6,146**	**2.7**	**537**

Exploration Overview

The first quarter of 2021 saw a continuation of the accelerated exploration activity which commenced in the fourth quarter of 2020. Exploration and Resource Definition in 2021 is underpinned by a A$20M budget, representing a 100% increase on the 2020 budget. Drilling activity totaled 41,142m in the first quarter of 2021 which is a 300% increase over the same quarter in 2020. At Beta Hunt, drilling targeted the newly discovered Larkin Zone and the northern extension of the A Zone. At Higginsville, drilling was dominated by greenfields exploration programs, focussing on the relatively un-explored Lake Cowan area. Turn-around times on assay results continue to be adversely impacted by industry-wide laboratory capacity issues resulting from increased demand for their services and labour supply hurdles related to COVID 19 restrictions. This situation is expected to improve by the second half of 2021 as restrictions ease and laboratories increase manning levels.

Higginsville

At Higginsville, 33,305m of drilling was completed in the first quarter of 2021. The quarter commenced with up to four rigs working across the property including a lake and a land aircore rig, a lake RC rig and a multipurpose RC/diamond rig. Three rigs drilled greenfields exploration targets with the multi-purpose rig dedicated to Resource Development projects. Key milestones for the quarter include the completion of Stage 1 of the Lake Cowan scout drilling program, the commencement of the Stage 2 infill program and the completion of the Model Earth Higginsville Central targeting study.

Stage 1 of the Lake Cowan aircore drill program totaled 629 holes for 26,195m and has delivered nine priority anomalies for follow-up (Stage 2) aircore drilling. Stage 2 drilling has commenced, with initial drilling extending and infilling around the Monsoon North anomaly which is associated with an intersection of 1.35 g/t over 50 metres (from 68 metres), including 3.64 g/t Au over 16 metres in hole HIGA8864 - as previously reported in a February 8, 2021 news release. This result is 180 metres north of historical drilling and represents an extension of the Monsoon mineralized system, approximately 3 kms south of the currently operating Baloo pit all of which are part of the regional Sleuth trend. The Stage 2 program is due to be completed in the third quarter of 2021. Elsewhere, results were received for the Dundas prospect, part of the Mt Henry Project - best result of 17m @ 1.3g/t (KSPR0034), the Zebra Hill prospect, east of Spargos Reward - best result of 1m @ 5.5g/t (SLNR0013) and Norcott, 35kms southeast of the HGO mill – best result 4m @ 0.17g/t (HIGA9153). These results are currently under geological evaluation to determine follow-up exploration. Figure 2 below shows drill locations for the first quarter of 2021.

The first stage of an RC drilling program, designed to test the offset southerly strike extension of the main Spargos Reward zone, part of HGO's Resource Definition program, was completed. Results are pending. Results received for four RC/diamond holes at Two Boys support the current geological interpretation.

Additional results from the Spargos infill RC and diamond drill program designed to upgrade the Historical Mineral Resource and support resource modelling for open pit evaluation were received this quarter. New results were reported in Karora news release, March 1, 2021. The intersection of 14m @ 6.1g/t in diamond drill hole SPDD003 supports the current interpretation which shows high grade gold mineralization extending over a down-plunge distance of over 300 metres. The down-plunge extension of this shoot remains open at depth and highlights the underground growth opportunity remaining to be tested. A revised gold Mineral Resource statement is expected in the second quarter of 2021 which remains in line with the Corporation's targeted date for commencement of mining at Spargos.

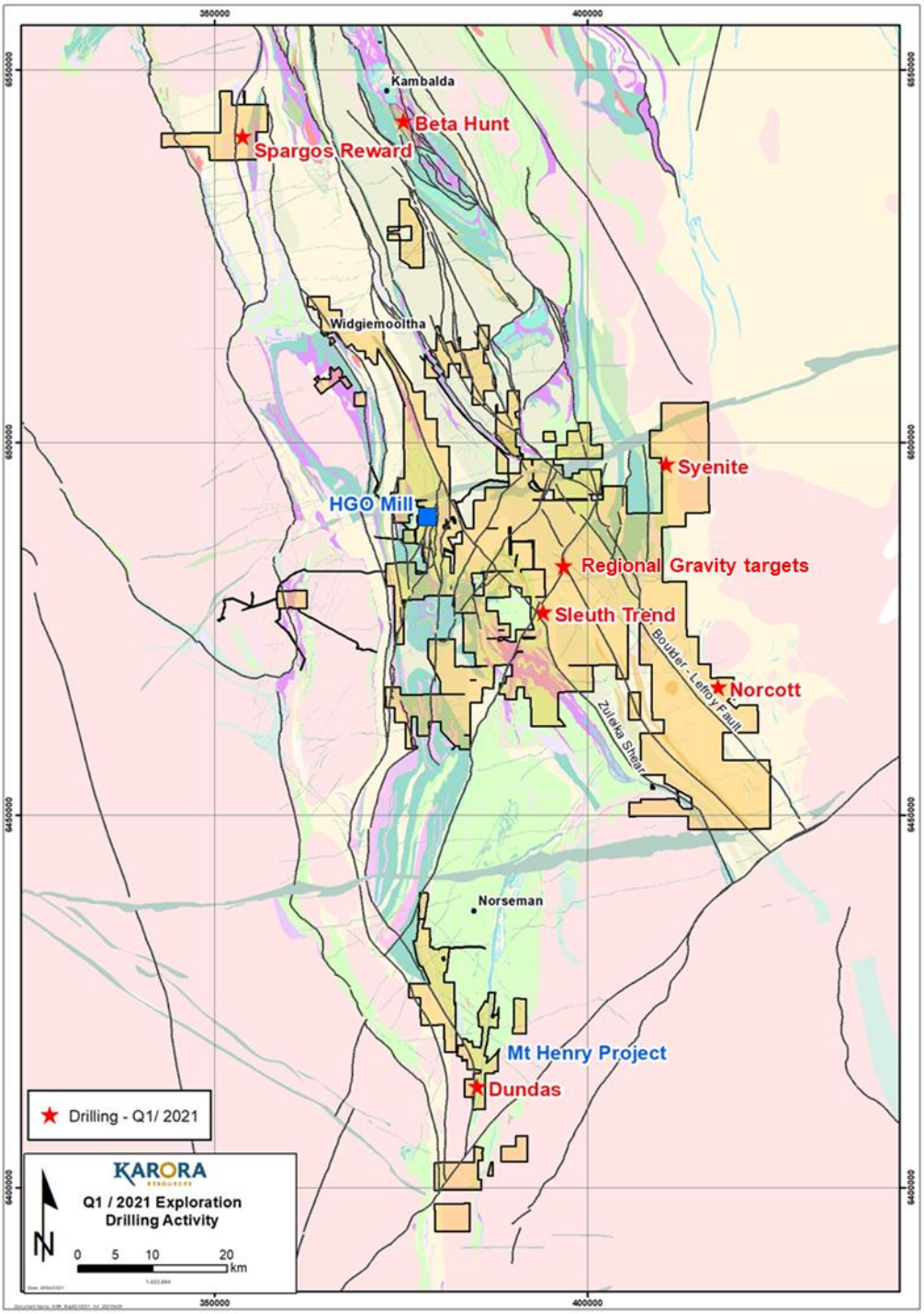
Highlights from results[1.] received in the first quarter of 2021 (previously reported) are listed below:

- SPDD0001[2]: 14.0 g/t over 6.3 metres
- SPDD0002[2]: 12.7 g/t over 4.0 metres, and 22.3 g/t over 1.7 metres
- SPDD0003: 6.1 g/t over 14.0 metres; including 8.6 g/t over 5.7 metres
- SPRC0069: 11.0 g/t over 5.0 metres
- SPRC0065: 9.0 g/t over 12.0 metres
- SPRC0054: 8.1 g/t over 5.0 metres
- SPRC0062: 10.2 g/t over 5.0 metres

1. *Downhole intervals. Estimated true widths are approximately 70% of the downhole interval*
2. *Geotechnical diamond holes*

The Model Earth Higginsville Central targeting study was completed during the quarter. The geological study involved a detailed litho-classification of all rocks types based on XRF, multi-element data, core logging and pit mapping to produce a 3D geological model to support drill targeting over the main Higginsville mining centre. A key finding was the importance of the highly-differentiated end of the Trident sill for hosting the gold mineralization. Three target areas representing extensions and parallel lodes to the Trident deposit were highlighted for drill testing – Trident East, Trident West and Trident South. The targets are under review for inclusion in the 2021 HGO Resource Definition drilling program. The Trident deposit historically produced 1.05Mozs of gold and mining concluded in 2016.

Figure 2: Plan view of active Karora Exploration & Resource Definition drill locations, first quarter of 2021



Beta Hunt

Exploration drilling at Beta Hunt during the quarter continued to focus on upgrading and extending the northern, up-plunge margin of the A Zone Mineral Resource and the Larkin Gold Zone. Drill results from both these areas are planned to be incorporated in an updated Beta Hunt Mineral Resource in the second half of 2021. Drilling totaled

7,837m for the quarter – all targeting gold mineralization. The second quarter of 2021 will see recommencement of nickel targeted drilling.

At the Larkin Gold Zone, drill results from the first two follow-up infill drill holes were reported in a Karora news release on February 1, 2021. The results support the potential of this mineralization as a third gold resource area in addition to the A Zone and Western Flanks Mineral Resource.

Assay results were also received from five co-funded diamond holes testing nickel trough extensions in the Beta area. The holes targeted the interpreted position of the 50C nickel trough, part of the Gamma Zone, south of the Gamma Island Fault. The 50C nickel trough position is interpreted as a potential repeat of the Beta Zone nickel mineralization which is currently being mined. The drill program, as designed, was the result of a recent assessment and geological review of the area by Karora's exploration team and was co-funded by the Western Australian Government as part of its co-funded Exploration Incentive Scheme (EIS).

The targeted basalt/ultramafic contact was intersected in four of the five holes with nickel mineralization intersected in three holes - G50-22-005E, G50-22-003E and G50-22-002 in the targeted nickel contact position. Two holes, G50-22-005E and G50-22-003E encountered strong nickel mineralization logged as massive and disseminated nickel sulphide, with hole G50-22-005E intersecting 2.2 metres (downhole) of massive nickel sulphide. Assay results[1] support the visual observation of high tenor mineralization in this hole:

- G50-22-005E: 11.6% nickel over 4.6 meters, including 18.4% Ni over 2.2 meters
- G50-22-002E: 1.2% Ni over 0.3 meters
- G50-22-003E: 2.4% Ni over 1.8 meters

1. *Downhole intervals. True widths cannot be determined with currently available information.*

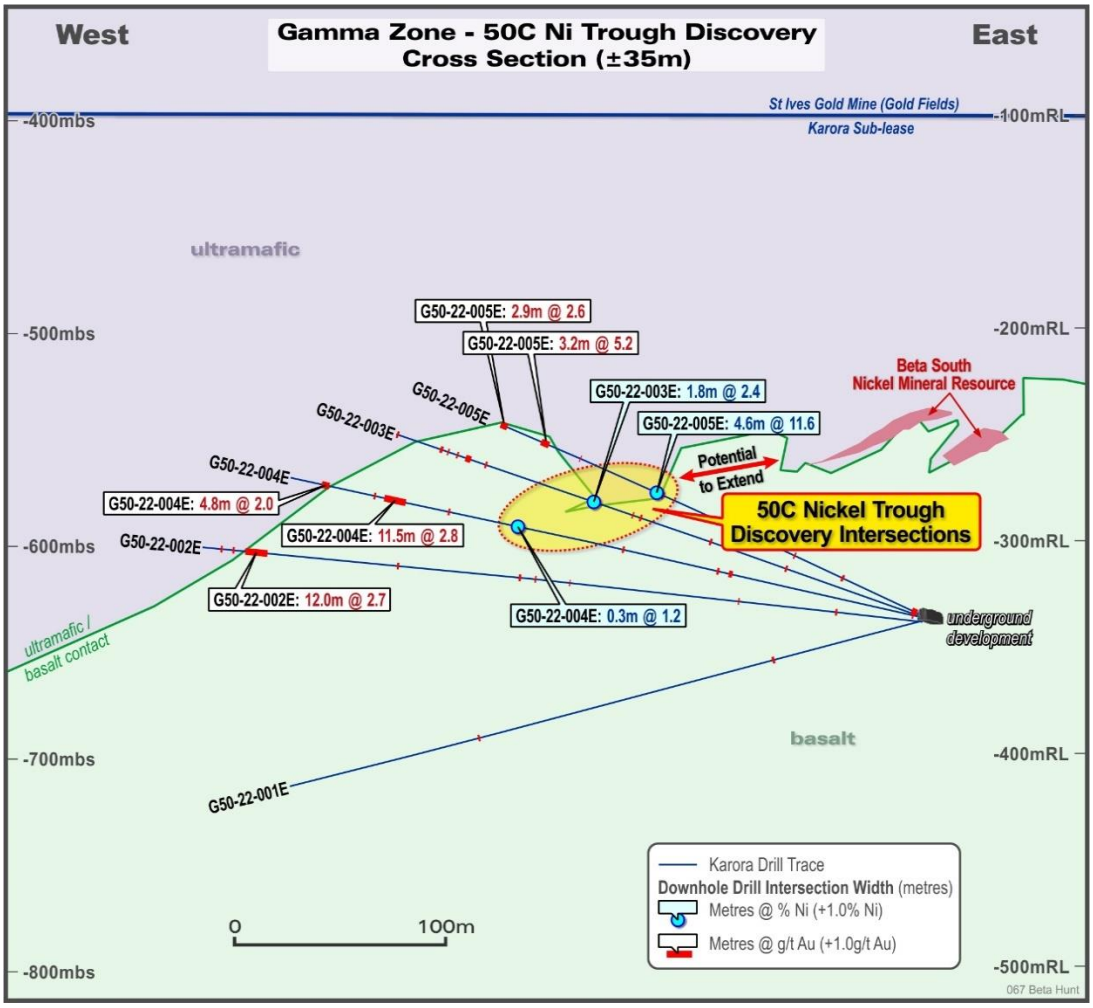
These results are 140 metres from existing mine development and reinforce the potential for a repeat of the Beta Zone mineralization south of the Gamma Island Fault, potentially representing a significant growth opportunity for by-product nickel production at Beta Hunt. Current Beta Hunt Measured and Indicated Resources total 561 kt @ 2.9% Ni for 16,100 contained nickel tonnes (see Karora's Technical Report dated February 1, 2021 available under Karora's profile on Sedar.com).

The same drill holes also intersected gold mineralization - extending the Beta Hunt gold system over a 3.5 kilometre strike length from the northern end of A zone and indicates potential for the continued growth of the existing gold Mineral Resource. Significant gold intersections[1] include:

- G50-22-002E: 2.7g/t over 12.0 meters, including 10.1g/t over 1.4 meters
- G50-22-005E: 5.2 g/t over 3.2 meters
- G50-22-004E: 2.8g/t over 11.5 meters, including 10.5 g/t over 0.5 meters
- G50-22-003E: 4.2g/t over 2.0 meters

1. *Downhole intervals. True widths cannot be determined with currently available information.*

Figure 3: Cross-section looking northwest through Gamma Zone showing recently completed 5 hole drill traces highlighting location of 50C Nickel Trough discovery

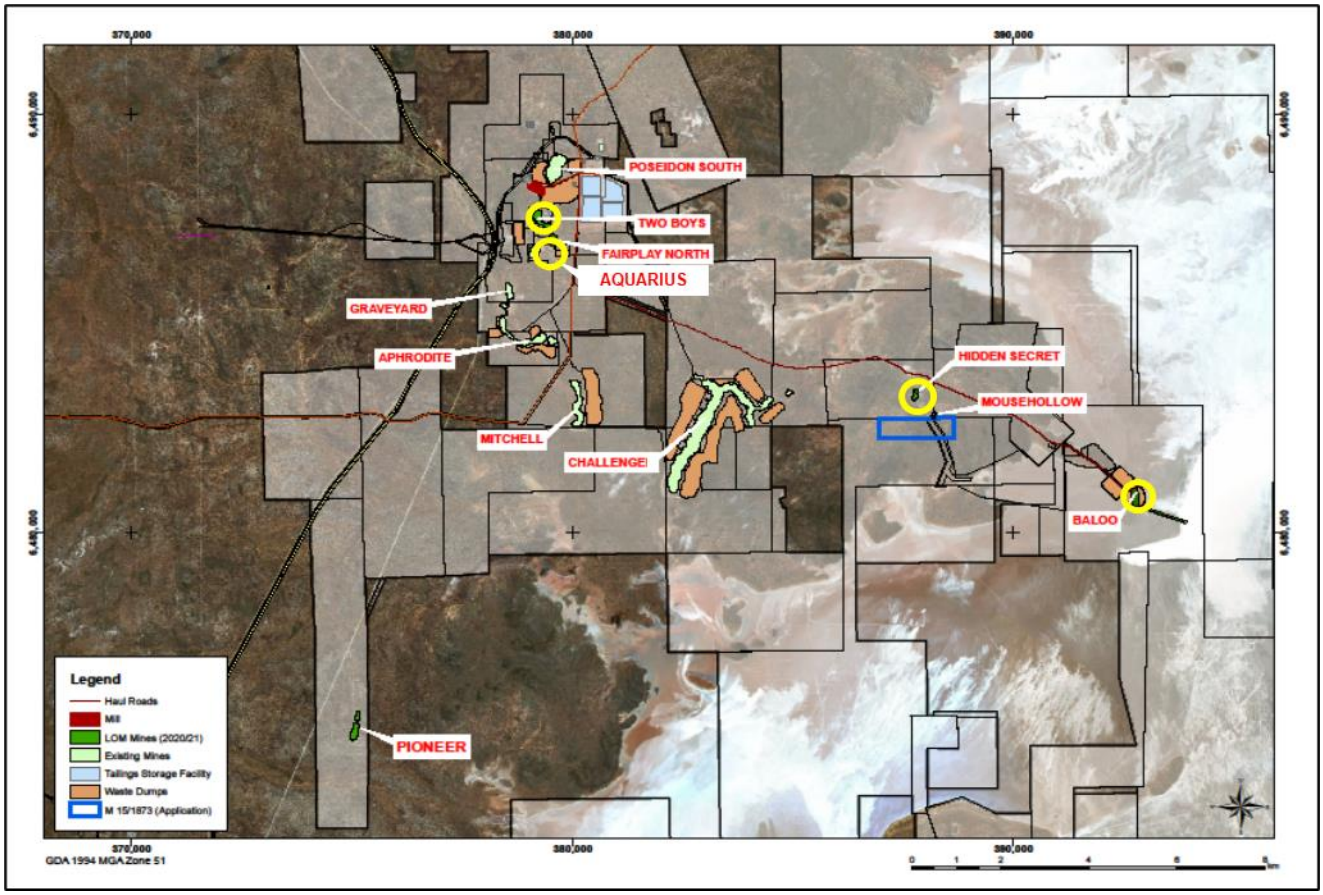


4. OUTLOOK

The outlook and financial targets only relate to fiscal 2021. This outlook includes forward-looking information about the Corporation's operations and financial expectations and is based on management's expectations and outlook as of the date of this MD&A. This outlook, including expected results and targets, is subject to various risks, uncertainties and assumptions, which may impact future performance and our achievement of the results and targets discussed in this section. The Corporation may update the outlook depending on changes in metal prices and other factors.

Figure 4 below highlights a number of areas where Karora is either actively mining or developing. In addition to Baloo, where Karora has been mining since the HGO acquisition in June 2019, the Corporation is actively mining, the Hidden Secret-Mousehollow, deposits and developing, the Two Boys extension and Aquarius. Other areas, such as Pioneer and a potential Fairplay North underground, continue to be evaluated in 2021.

Figure 4: Plan view of HGO highlighting locations of active Baloo and Hidden Secret open pit mines and U/G development projects at Two Boys and Aquarius.



Baloo

The Baloo open pit is nearing completion; however, a new grade control and deep drilling program is currently underway and will be completed early in 2021. This work will likely extend mining into the second quarter of 2021, however, this will be staged to optimize the use of mining equipment and personnel with other planned mining activities including Hidden Secret.

Hidden Secret

Hidden Secret is located within the Eundynie historical mining center 10km east of the HGO processing plant with mine workings dating back to early 1900s. Hidden Secret commenced mining in the third quarter of 2020 and is expected to be completed in 2022 based on current resources and reserves.

Cautionary Statement:
A production decision at HGO was made by previous operators of the mine, prior to the completion of the acquisition of HGO by Karora, and Karora made a decision to continue production subsequent to the acquisition. This decision by Karora to continue production and, to the knowledge of Karora, the prior production decisions were not based on a feasibility study of mineral reserves, demonstrating economic and technical viability, and, as a result, there may be an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery, which include increased risks associated with developing a commercially mineable deposit. Historically, such projects have a much higher risk of economic and technical failure. There is no guarantee that anticipated production costs will be achieved. Failure to achieve the anticipated production costs would have a material adverse impact on the Corporation's cash flow and future profitability. Readers are cautioned that there is increased uncertainty and higher

risk of economic and technical failure associated with such production decisions.

Exploration

The Corporation has identified multiple exploration opportunities at which exploration has been prioritized and will form part of the Karora Exploration program which will have a A$20 million budget spread across HGO and Beta Hunt. To improve the focus and prioritizing of targets, exploration has been separated into drilling, which is predominantly aimed at upgrading and extending existing Mineral Resources, and new targets aimed at +250k oz discoveries.

At **Higginsville,** exploration is focused on completing the scout lake aircore drilling program over Lake Cowan and following through with reverse circulation and diamond drill programs testing geochemical anomalies generated from the results of the reconnaissance drilling. A number of targets have already been identified from this work (Karora news release, February, 8, 2021). More advanced drill targets for Exploration including the Spargos Project area, Mt Henry and the Sleuth trend which incorporates the Baloo deposit and the Nanook and Monsoon prospects will also be tested in 2021. For 2021, Resource Definition will initially focus on testing targets within Higginsville Central which includes the Aquarius, Two Boys and Trident deposits. In addition, further drilling is planned at Spargos Reward to build upon the results from the Stage 1 drill program completed last year. The initial aim for the Resource Definition program will be to improve on the current two year mine plan.

At **Beta Hunt,** drilling for gold in 2021 is aimed at extending/upgrading both the Western Flanks and A Zone Mineral Resources and producing a maiden Mineral Resource for the Larkin Zone. Drilling for the first quarter of 2021 was focused on completing the Larkin Gold Zone drill program. Nickel drilling is planned to commence in the second quarter of 2021, and will focus on extending and upgrading the 30C nickel trough discovered last year as well as extending the previously mined 40C trough.

Karora 2021 Guidance

On January 19, 2021, the Corporation announced consolidated production guidance of between 105,000 to 115,000 ounces of gold at an average all-in-sustaining-cost (AISC) of US$985 to US$1,085 per ounce. The high-end of 2021 production guidance represents a 21% increase over the high-end of 2020 guidance (19% mid-point to mid-point). The mid-point of 2021 cost guidance represents an 8% reduction when compared to the mid-point of 2020 guidance. The reduced AISC guidance reflects Karora's continued focus on cost reduction initiatives following a very successful year of reducing AISC during 2020. This full year guidance is maintained.

Reference is made to section 14 Non-IFRS Measures of this MD&A. It is important to note that the production and cost guidance does not include contributions from any potential high-grade coarse gold occurrences encountered from time to time at the Beta Hunt Mine. Based on management’s current interpretation of the Beta Hunt shear zone / Lunnon Sediment intersection horizons, further coarse gold is expected to be produced from mining operations over the course of 2021, representing potential upside to the 2021 production and cost guidance estimates.

Consolidated HGO, Beta Hunt and Spargos drilling and exploration expenditures for the full year 2021 are targeted to be approximately A$20 million, 33% higher than revised 2020 drilling and exploration guidance (see Karora news release dated September 10, 2020). The budget will be allocated towards further resource definition drilling and exploration across all three properties. The increase in the drilling and exploration budget was driven by Karora's success in 2020 of increasing consolidated Proven and Probable Mineral Reserves by 334% to 1.33 million gold ounces and Measured and Indicated Resources by 167% to 2.52 million ounces (see Karora news release dated December 16, 2020 for further details). Karora has a number of high-quality exploration targets slated for exploration drilling in 2021 across its land packages.

The above guidance assumes no significant disruption in operations as a result of the COVID 19 virus.

5. FINANCIAL RESULTS OF OPERATIONS

(in thousands of dollars except per share amounts)

For the three months ended March 31,	**2021**	2020	Change
Revenue	**$59,284**	$54,282	$5,002
Production and processing costs	**29,301**	27,286	2,015
Royalty expense	**3,755**	4,337	(582)
General and administrative: share-based compensation	**1,290**	(161)	1,451
General and administrative: other	**4,870**	3,163	1,707
Depreciation and amortization	**7,283**	4,054	3,229
Operating earnings	**12,785**	15,603	(2,818)
Other expenses, net	**2,449**	14,719	(12,270)
Earnings before income tax	**10,336**	884	9,452
Income tax expense	**4,712**	345	4,367
Net earnings	**5,624**	539	5,085
Net earnings per share - basic	**$0.04**	$0.00	$0.04
Net earnings per share - diluted	**$0.04**	$0.00	$0.04

Three months ended March 31, 2021, compared with three months ended March 31, 2020

Net earnings for the three months ended March 31, 2021 was $5.6 million compared to a net earnings of $0.5 million for the comparable period in 2020. As described below, operating earnings is down by $2.8 million which is primarily due to a higher level of depreciation and amortization expense. More than offsetting other expenses of $12.3 million which was primarily due to lower losses from derivative instruments and foreign exchange translation. The derivative instrument movement was mainly due to the change in fair value due to the movement in gold price.

Revenue

For the three months ended March 31, 2021, the Corporation generated revenue of $59.3 million of which HGO contributed $15.2 million, and Beta Hunt contributed $44.1 million. During the comparable period in 2020, the Corporation generated revenue of $54.3 million where HGO and Beta Hunt contributed $16.3 million and $38.0 million, respectively. The increase in revenue in 2021 was the result of higher gold ounces sold and higher average realized prices on ounces sold which increased by 4% and 18%, respectively.

Production and processing costs

For the three months ended March 31, 2021, production costs, after adjustments for changes in inventories, were $29.3 million compared to $27.3 million in the comparable period in 2020. Production costs include mining, processing, surface services and other mine general and administrative costs. The increase was due to the increase in 2021 tonnes mined and tonnes processed at Beta Hunt. As noted above, the Corporation had an increase in ounces sold of 4% which contributed to higher production and processing costs.

Royalty expense

Royalties for the three months ended March 31, 2021 were $3.8 million compared to $4.3 million for the comparative year. The decrease in royalty expense, was mainly due to a net reduction based on the 2020 royalty buybacks and the increase in gold price which impacted royalty payments for Beta Hunt and HGO.

General and administration: share-based compensation
For the three months ended March 31, 2021, general and administrative: share-based compensation was an expense of $1.3 million compared to income of $0.2 million for the comparative year. The increase was primarily due to additional share based compensation issued to management and staff in the 2020 financial year. In addition, certain share based payments are marked to market which resulted in an increased expense. The increase was mainly caused by a smaller decline in the share price of 10% over the first quarter of 2021 compared to a 38% declineover the first quarter of 2020.

Depreciation and amortization
Depreciation and amortization expense, after adjustments for changes in inventories, for the three months ended March 31, 2021 was $7.3 million compared to $4.1 million in the comparable period in 2020. The increase in depreciation and amortization was primarily due to the increase in mined and sold ounces as well as the additional amortization of mineral properties with shorter lifespans. Furthermore, there is a significantly higher balance of depreciable assets during the first three months of 2021 compared with the prior year. Property, plant and equipment and mineral property interests increased by $139.2 million year over year. This includes the 2020 impairment reversal for the Beta Hunt mine of $36.1 million as well as the 2020 royalty buyback arrangements of $63 million which contributed to depreciable assets.

Other expenses, net
For the three months ended March 31, 2021, other expenses, net decreased by $12.3 million was primarily due to the decrease of foreign exchange differences of $3.1 million and derivatives of $8.7 million. The foreign exchange movement is non-cash and primarily relates to the translation of inter company loan balances between the Australian entities and the Canadian parent. The movement in derivatives was mainly due losses in the Corporation's hedging position in 2020. The Company is currently unhedged on gold.

Income tax expense
For the three months ended March 31, 2021, income tax expense was $4.7 million compared to $0.3 million for the comparable period in 2020. Deferred tax expense increased by $4.4 million for the three months ended March 31, 2021. The primary reason for the increase was due to higher taxable income at the Australian operations which gave rise to a significant increase in taxable income and a reduction in loss carryforwards.

Summary of Quarterly Results

(in thousands of dollars)	**2021**	**2020**				**2019**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Revenues	$59,284	$69,349	$59,405	$56,100	$54,282	$56,832	$43,092	$17,249
Earnings (loss)	$5,624	$42,906	$34,867	$9,818	$539	$10,465	($1,378)	($14,452)
Net earnings (loss) per share - basic	$0.04	$0.30	$0.24	$0.07	$0.00	$0.08	($0.01)	($0.13)
Net earnings (loss) per share - diluted	$0.04	$0.28	$0.24	$0.07	$0.00	$0.08	($0.01)	($0.13)

Quarterly results vary in accordance with the Corporation's sales, production and processing costs, royalty, exploration, development, acquisition and financing activities. Historically, exploration and evaluation expenses, share-based compensation expenses, changes in the fair value of derivatives and foreign exchange variations had the most significant impact on the Corporation's quarterly results, followed by general and administrative expenses and royalty expenses. Changes in the fair value of derivatives are recorded in the consolidated statements of comprehensive earnings (loss) and will affect the Corporation's future quarterly results. Fluctuations in the Canadian dollar, which is the Corporation's presentation currency, against the US dollar and Australian dollar will also continue to affect the Corporation's quarterly results as a result of its cash and cash equivalents and liabilities denominated in US or Australian dollars as well as its revenue being denominated in US or Australian dollars.

6. LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash flows

(in thousands of dollars)			
For the three months ended March 31,	**2021**	2020	Change
Cash provided by operations prior to changes in working capital	**$20,998**	$13,326	$7,672
Changes in non-cash working capital	**(2,340)**	(1,122)	(1,218)
Cash provided by operating activities	**18,658**	12,204	6,454
Cash used in investing activities	**(18,276)**	(7,629)	(10,647)
Cash used in financing activities	**(2,091)**	(940)	(1,151)
Effect of exchange rate changes on cash and cash equivalents	**(1,239)**	116	(1,355)
Change in cash and cash equivalents	**$(2,948)**	$3,751	$(6,699)

Below is a summary of the Corporation's cash flows used in (provided by) operating, investing and financing activities:

Operating Activities
For the three months ended March 31, 2021, cash provided by operating activities, prior to changes in non-cash working capital, was $21.0 million compared to cash provided of $13.3 million for the same period in 2020, representing an increase of $7.7 million. The increase is primarily due to the above noted increase in net earnings before taxes of $10.3 million which was higher than the prior year by $9.5 million. Changes in non-cash working capital in the period resulted in an increase in working capital of $2.3 million during the three months ended March 31, 2021 which was $1.2 million higher with the same period in 2020.

Investing Activities
Investing activities for the three months ended March 31, 2021 reflected a use of cash of $18.3 million. The primary outflows in the three months ended March 31, 2021 related to the acquisition of property, plant and equipment of $18.2 million which include the settlement of the Maverix royalty settlement payment of US$2.5 million.

Financing Activities
For the three months ended March 31, 2021, the use of cash by financing activities of $2.1 million was slightly higher with the use of cash of $0.9 million for the same period in 2020. Financing cash flows for 2021 included $0.6 million used to fund the Corporation's normal course issuer bid to purchase its own common shares.

As a result of the foregoing activities, for the three months ended March 31, 2021, the net use of cash by operating, investing and financing activities was $2.9 million compared to cash provided of $3.8 million in the same period of 2020.

Liquidity and Capital Resources

(in thousands of dollars)	**March 31, 2021**	December 31, 2020
Cash and cash equivalents	**$76,747**	$79,695
Working capital [1]	**63,215**	56,835
Property, plant and equipment and mineral property interests	**237,808**	239,044
Total assets	**347,612**	350,099
Current liabilities excluding current portion of financial liabilities [2]	**41,954**	48,295
Non-current liabilities excluding non-current portion of financial liabilities [2]	**54,112**	55,650
Financial liabilities (current and non-current) [2]	**38,720**	38,950
Total liabilities	**134,786**	142,895
Shareholders' equity	**212,826**	207,204

1. Working capital is calculated as current assets (including cash and cash equivalents) less current liabilities.
2. Financial liabilities include long-term debt and lease obligations.

As at March 31, 2021, the Corporation had a working capital surplus of $63.2 million compared to $56.8 million as at December 31, 2020, an increase of $6.4 million. The majority of the working capital increase was a result of the

Corporation's decrease in accounts payable and accrued liabilities.

Total assets as at March 31, 2021 decreased by $2.5 million compared to December 31, 2020, primarily due to a decrease in cash and cash equivalents of $3.0 million, inventories of $0.6 million, property, plant and equipment and mineral property interests of $1.2 million, partially offset by an increase in trade and other receivables of $0.7 million.

Total liabilities as at March 31, 2021 decreased by $8.1 million compared to the period ended December 31, 2020. The decrease is primarily due to decreases in accounts payable and accrued liabilities, derivative financial liabilities and share incentive plan liabilities of $5.3 million, $0.6 million and $0.4 million, respectively.

The Corporation's future financing efforts may be affected by several factors including, but not limited to, general economic conditions and volatility in the capital markets. Based on the current financial condition of the Corporation, Karora does not anticipate additional equity or debt financing in the near future unless it's required for Karora's strategic growth plan.

7. RESULTS OF OPERATIONS

Mining Operations (Consolidated)

Three months ended March 31, 2021 compared to the three months ended March 31, 2020.

First quarter of 2021 gold production was 24,694 ounces compared to 24,816 ounces in the first quarter of 2020 and a slight decrease on the 25,637 ounces produced in the fourth quarter of 2020.

Tonnes milled for the first quarter of 2021 totalled 371kt.The consolidated gold milled grade in the first quarter was 2.16 grams per tonne of gold ("**g/t Au**"), 8% lower than in the first quarter of 2020. Production during the first quarter of 2021 consisted of material from Beta Hunt underground, the Baloo, Fairplay North and Hidden Secret open pits and a small amount of stockpile material.

A total of 25,547 ounces of gold were sold during the first quarter of 2021, representing a 4% increase over the same period in 2020. The additional ounces sold in the first quarter of 2021 compared to gold produced was a carry over from the fourth quarter of 2020 production.

	Three months ended	
For the periods ended March 31,	**2021**	2020
Gold Operating Results		
Tonnes milled (000s)	**371**	314
Milled grade (g/t)	**2.16**	2.35
Gold produced (ounces)	**24,694**	24,816
Gold sales (ounces)	**25,547**	24,626
Cash operating cost (US $/oz sold) [1]	**$952**	$965
All-in sustaining cost (AISC) (US $/oz sold) [1]	**$1,049**	$1,101

1. Non-IFRS: the definition and reconciliation of these measures are included in the Non-IFRS Measures section 14 of this MD&A.

Beta Hunt Mine

In the first quarter of 2021, 233kt of material was milled at an average grade of 2.63 g/t to produce 18,261 ounces of gold, a 6% increase from the first quarter of 2020. The timing and planning of stope production centres was the reason for the slight difference. Milled grades were 2% lower compared to the first quarter of 2020. Gold ounces of 18,754 were sold during the first quarter of 2021.

For the periods ended March 31,	Three months ended, 2021	2020
Beta Hunt Gold Operating Results		
Tonnes milled (000s)	**233**	186
Milled grade (g/t)	**2.63**	2.58
Gold produced (ounces)	**18,261**	17,170
Gold sold (ounces)	**18,754**	17,078
Cash operating cost (US $/oz sold) [1]	**$899**	$944

1. Non-IFRS: the definition and reconciliation of these measures are included in the Non-IFRS Measures section of this MD&A.

Higginsville Gold and Processing Operations

The Higginsville Gold Operation milled 371kt of material, which included 138kt of HGO material that produced 6,433 ounces at an average grade of 1.57 g/t Au for the three months ended March 31, 2021. With mining of Fairplay North open pit ceasing in December 2020 and the Baloo main open pit production winding down, production will focus on the Hidden Secret and Mousehollow open pits with the high grade Spargos open pits expected to be online in the later part of 2021.

For the periods ended March 31,	Three months ended, 2021	2020
Higginsville Gold Operating Results		
Tonnes milled (000s)	**138**	128
Milled grade (g/t)	**1.57**	2.00
Gold produced (ounces)	**6,433**	7,646
Gold sold (ounces)	**6,793**	7,548
Cash operating cost (US $/oz sold) [1]	**$1,100**	$1,013

1. Non-IFRS: the definition and reconciliation of these measures are included in the Non-IFRS Measures section of this MD&A.

Cautionary Statement:
A production decision at HGO was made by previous operators of the mine, prior to the completion of the acquisition of HGO by Karora and Karora made a decision to continue production subsequent to the acquisition. This decision by Karora to continue production and, to the knowledge of Karora, the prior production decision were not based on a feasibility study of mineral reserves, demonstrating economic and technical viability, and, as a result, there may be an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery, which include increased risks associated with developing a commercially mineable deposit. Historically, such projects have a much higher risk of economic and technical failure. There is no guarantee that anticipated production costs will be achieved. Failure to achieve the anticipated production costs would have a material adverse impact on the Corporation's cash flow and future profitability. Readers are cautioned that there is increased uncertainty and higher risk of economic and technical failure associated with such production decisions.

8. Off-Balance Sheet Arrangements

As of the date of this MD&A, the Corporation does not have any off-balance sheet arrangements.

9. Proposed Transactions

From time to time, in the normal course of business, the Corporation considers potential acquisitions, joint ventures, and other opportunities. The Corporation will disclose such an opportunity if and when required under applicable securities rules.

10. SUBSEQUENT EVENTS

As of the date of this MD&A, the Corporation does not have any subsequent events.

11. OUTSTANDING SHARE DATA

On July 31, 2020, the Corporation consolidated its common shares on the basis of one (1) post-consolidation common share for every four and a half (4.5) pre-consolidation common shares.

As at May 6, 2021, the Corporation had 146,702,588 common shares issued and outstanding and had the following securities outstanding, which are exercisable for common shares:

	Number of Securities
Stock options	3,851,914
Warrants (22,755,996 convertible into)	5,056,888

As at May 6, 2021, the Corporation had the following securities outstanding, which are redeemable, at the option of the holder, for cash or common shares:

	Number of Securities
Deferred share units	329,512
Restricted share units	1,773,161
Performance share units	900,338

Under the agreement dated March 8, 2007, pursuant to which the Corporation acquired a 100% interest in the Marbaw Mineral Claims (see the Corporation's most recent Annual Information Form on file with the Canadian provincial regulatory authorities, available at www.sedar.com), the Corporation is required to issue 1.6 million common shares of Karora to Marbaw upon the satisfaction of certain conditions. Such conditions have been satisfied other than the receipt by the Corporation of a notice from Marbaw requesting that these shares be issued.

12. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to apply accounting policies and make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. There is full disclosure of the Corporation's critical accounting policies and accounting estimates in note 2 of the audited consolidated financial statements for the year ended December 31, 2020.

There were no changes to the accounting policies applied by the Corporation to its March 31, 2021 unaudited condensed interim consolidated financial statements, compared to those applied by the Corporation to the audited consolidated financial statements for the year ended December 31, 2020 except for the presentation of cash flows related to finance charges. The cash flows relating to finance charges and finance income are now presented as investing or financing activities rather than operating activities. The Corporation has adjusted the presentation in the comparative cash flow statement to conform with the current period presentation. As a result of the change in presentation, for the three months ended March 31, 2020, cash provided by operating activities increased by $0.9 million, cash used in investing activities decreased by $0.1 million and cash used by financing activities increased by $0.8 million.

13. INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Corporation's management, including the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**") of the Corporation, is responsible for establishing and maintaining the Corporation's internal controls over financial reporting ("**ICFR**") and disclosure controls and procedures ("**DCP**"), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable, not absolute, assurance with respect to financial statement preparation and presentation.

Changes to Internal Controls over Financial Reporting

NI 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings requires public companies in Canada to disclose in their MD&A any change in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR.

There were no changes in internal controls of the Corporation during the quarter ended March 31, 2021 that has materially affected, or is likely to materially affect, the Company's internal control over financial reporting.

Disclosure controls and procedures

Management, with the participation of the CEO and the CFO, assessed the effectiveness of our DCP as of March 31, 2021. Based upon the results of that evaluation, the CEO and the CFO concluded that our DCP were effective to provide reasonable assurance that material information relating to the Company is accumulated and communicated to management to allow timely decisions regarding required disclosure, and that the information disclosed by us in the reports that we file is appropriately recorded, processed, summarized and reported within the time period specified in applicable securities legislation.

14. NON-IFRS MEASURES

This MD&A refers to cash operating cost, cash operating cost per ounce, all-in sustaining cost, EBITDA, adjusted EBITDA and adjusted EBITDA per share which are not recognized measures under IFRS. Such non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Management uses these measures internally. The use of these measures enables management to better assess performance trends. Management understands that a number of investors and others who follow the Corporation's performance assess performance in this way. Management believes that these measures better reflect the Corporation's performance and are better indications of its expected performance in future periods. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

In November 2018, the World Gold Council ("**WGC**") published its guidelines for reporting all-in sustaining costs and all-in costs. The WGC is a market development organization for the gold industry and is an association whose membership comprises leading gold mining companies. Although the WGC is not a mining industry regulatory organization, it worked closely with its member companies to develop these non-IFRS measures. Adoption of the all-in sustaining cost and all-in cost metrics is voluntary and not necessarily standard, and therefore, these measures presented by the Corporation may not be comparable to similar measures presented by other issuers.

The following tables reconcile these non-IFRS measures to the most directly comparable IFRS measures:

MINING OPERATIONS

Cash Operating and All-in Sustaining Costs

The Corporation uses this measure internally to evaluate the underlying operating performance of the Australian Operations. Management believes that providing cash operating cost data allows the reader the ability to better evaluate the results of the underlying operations.

Australian Mining Operations
Consolidated Mining Operations

For the periods ended March 31,	Three months ended, **2021**	2020
Production and processing costs	$36,077	$33,534
Royalty expense: Government of Western Australia	1,388	1,229
Royalty expense: Other	2,367	3,108
By-product credits	(2,256)	-
Adjustment [1]	(6,776)	(6,248)
Operating costs (C$)	$30,800	$31,623
General and administration expense – Australia [2,3]	1,121	921
Sustaining capital expenditures	2,008	3,545
All-in sustaining costs (C$)	$33,929	$36,089
Average exchange rate (C$1 – US$1)	0.79	0.75
Operating costs (US$)	**$24,329**	**$23,767**
All-in sustaining costs (US$)	**$26,800**	**$27,123**
Operating costs (A$)	**$31,487**	$35,813
All-in sustaining costs (A$)	**$34,686**	$40,872
Ounces of gold sold	25,547	24,626
Cash operating costs (per ounce sold) (US$)	**$952**	**$965**
All-in sustaining cost (per ounce sold) (US$)	**$1,049**	**$1,101**
Cash operating costs (per ounce sold) (A$)	**$1,233**	**$1,454**
All-in sustaining cost (per ounce sold) (A$)	**$1,358**	**$1,660**

1. Negative adjustment for intercompany tolling transactions
2. G&A costs were reduced with R&D and Due Diligence costs
3. G&A: share-based payments were excluded in calculating AISC

Beta Hunt Mine (gold)

For the periods ended March 31,	Three months ended, **2021**	2020
Production and processing costs	$20,470	$18,228
Royalty expense: Government of Western Australia	1,021	794
Royalty expense: Other	2,083	2,430
By-product credits	(2,234)	-
Operating costs (C$)	$21,340	$21,452
Average exchange rate (C$1 – US$1)	0.79	0.75
Operating costs (US$)	**$16,856**	**$16,122**
Operating costs (A$)	**$21,815**	**$24,294**
Ounces of gold sold	18,754	17,078
Cash operating costs (per ounce sold) (US$)	**$899**	**$944**
Cash operating costs (per ounce sold) (A$)	**$1,163**	**$1,423**

Higginsville Mine (gold)

For the periods ended March 31,	Three months ended, **2021**	2020[2]
Production and processing costs	$15,607	$15,306
Royalty expense: Government of Western Australia	367	435
Royalty expense: Other	284	678
By-product credits	(22)	-
Adjustment[1]	(6,776)	(6,248)
Operating costs (C$)	$9,460	$10,171
Average exchange rate (C$1 – US$1)	0.79	0.75
Operating cost (US$)	**$7,473**	**$7,645**
Operating cost (A$)	**$9,671**	**$1,526**
Ounces of gold sold	6,793	7,548
Cash operating costs (per ounce sold) (US$)	**$1,100**	**$1,013**
Cash operating costs (per ounce sold) (A$)	**$1,424**	**$1,526**

1. Negative adjustment for intercompany tolling transactions

For the three months ended,	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020
Production and processing costs	$36,077	$34,361	$34,955	$32,210	$33,534
Royalty expense: Government of Western	1,388	1,738	1,167	1,407	1,229
Royalty expense: Other	2,367	2,635	1,816	3,707	3,109
By-product credits	(2,256)	(1,466)	(1,344)	(861)	-
Adjustment[1]	(6,776)	(6,574)	(6,923)	(6,435)	(6,248)
Operating costs (C$)	$30,800	$30,694	$29,671	$30,028	$31,624
General and administration expense – Australia[3]	1,121	1,954	1,202	2,007	921
Sustaining capital expenditures	2,008	549	985	2,166	3,545
All-in sustaining costs ($)	$33,929	$33,197	$31,858	$34,201	$36,091
Average exchange rate (C$1 – US$1)	0.79	0.77	0.75	0.75	0.75
Operating costs (US$)	**$24,329**	**$23,556**	**$22,274**	**$21,675**	**$23,767**
All-in sustaining costs (US$)	**$26,800**	**$25,477**	**$23,916**	**$24,688**	**$27,123**
Operating costs (A$)	**$31,487**	**$32,231**	**$31,140**	**$32,960**	**$35,813**
All-in sustaining costs (A$)	**$34,686**	**$34,859**	**$33,436**	**$37,541**	**$40,872**
Ounces of gold sold	25,547	27,932	22,912	23,185	24,626
Cash operating costs (per ounce sold) (US$)	**$952**	**$843**	**$972**	**$935**	**$965**
All-in sustaining cost (per ounce sold) (US$)	**$1,049**	**$912**	**$1,044**	**$1,065**	**$1,101**
Cash operating costs (per ounce sold) (A$)[2]	**$1,233**	**$1,154**	**$1,359**	**$1,422**	**$1,454**
All-in sustaining cost (per ounce sold) (A$)[2]	**$1,358**	**$1,248**	**$1,459**	**$1,619**	**$1,660**

1. Negative adjustment for intercompany tolling transactions.
2. Quarterly costs in functional currency.
3. G&A: share-based payments were excluded in calculating AISC

Adjusted EBITDA

Management believes that adjusted EBITDA is a valuable indicator of the Corporation's ability to generate operating cash flows to fund working capital needs, service debt obligations, and fund exploration and evaluation, and capital expenditures. Adjusted EBITDA excludes the impact of certain items and therefore is not necessarily indicative of operating profit or cash flows from operating activities as determined under IFRS. Other companies may calculate Adjusted EBITDA differently.

Adjusted EBITDA is a non-IFRS measure, which excludes the following from comprehensive earnings (loss): income tax expense (recovery); interest expense and other finance-related costs; depreciation and amortization; non-cash other expenses, net; non-cash impairment charges and reversals; non-cash portion of share-based payments; acquisition costs; derivatives and foreign exchange loss.

(in thousands of dollars except per share amounts)

For the three months ended March 31,	**2021**	2020 [4]
Net earnings for the period - as reported	**$5,624**	$539
Finance expense, net	**1,081**	981
Income tax expense	**4,712**	345
Depreciation and amortization	**7,283**	4,054
EBITDA	**18,700**	5,919
Adjustments:		
Non-cash share-based payments [1]	**1,142**	(223)
Share of loss of associates [1]	**-**	417
Unrealized (gain) loss on revaluation of marketable securities [2]	**(360)**	34
Other expense (income), net [2]	**15**	(281)
Loss (gain) on derivatives [2]	**(2,860)**	5,853
Foreign exchange loss [3]	**4,573**	7,715
Adjusted EBITDA	**$21,210**	$19,434
Weighted average number of common shares - basic	**146,254,253**	135,119,947
Adjusted EBITDA per share - basic	**$0.15**	$0.14

(in thousands of dollars except per share amounts)

For the three months ended March 31,	**2021**	2020
Net earnings for the period - as reported	**$5,624**	$539
Non-cash share-based payments [1]	**1,142**	(223)
Unrealized (gain) loss on revaluation of marketable securities [2]	**(360)**	34
Loss (gain) on derivatives [2]	**(2,860)**	5,853
Foreign exchange loss [3]	**4,573**	7,715
Tax impact of the above adjusting items	**(32)**	(3,263)
Adjusted earnings	**$8,087**	$10,655
Weighted average number of common shares - basic	**146,254,253**	135,119,947
Adjusted earnings per share - basic	**$0.06**	$0.08

1. Primarily non-recurring items which do not impact cash flow.
2. Non-operating in nature which does not impact cash flows.
3. Primarily related to intercompany loans for which the loss is unrealized.
4. Revised to conform to current year's presentation.

15. CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains “forward-looking information”, which may include, but is not limited to, statements relating to the liquidity and capital resources of Karora, production and cost guidance, the potential of Beta Hunt, HGO and Spargos, successfully obtaining project financing, successfully obtaining permitting, the future financial or operating performance of the Corporation and its projects, the future price of and supply and demand for metals, the estimation of mineral reserves and resources, the realization of mineral reserves and resources estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new and existing deposits, costs and timing of future exploration as well as the potential of exploration at the Beta Hunt Mine, HGO, Spargos and the Corporation’s exploration properties, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, the success of mining operations, economic return estimates and potential upside. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “does not anticipate” or “believes” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Readers should not place undue reliance on forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could affect the outcome include, among others: project delays; general business, economic, competitive, political and social uncertainties; labour and operational disruptions due to the COVID 19 virus or other widespread public health issues, results of exploration programs; future prices of metals; availability of alternative metal sources or substitutions; actual metal recovery; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; the future cost of capital to the Corporation; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability, terrorism, insurrection or war; delays in obtaining governmental approvals, necessary permitting or in the completion of development or construction activities, as well as those factors discussed in the section entitled “Risk Factors” in the Corporation’s December 31, 2020 and 2019 Management’s Discussion and Analysis and Annual Information Form for the year ended December 31, 2020 filed on SEDAR. Such forward-looking statements are also based on a number of material factors and assumptions, including: the availability of financing at rates and on terms and conditions otherwise acceptable to the Corporation; future metal prices; permitting and development consistent with the Corporation’s expectations; foreign exchange rates; prices and availability of equipment; that contracted parties provide goods and/or services on the agreed time frames; that on-going contractual negotiations will be successful and/or be completed in a timely manner; and that no unusual geological or technical problems occur.

Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A and the Corporation disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable securities laws. Given these risks, uncertainties and the integration risk associated with the acquisition of HGO, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Readers of this report are cautioned that actual events and results may vary.

Cautionary Note to U.S. Readers Regarding Estimates of Resources

This MD&A uses the terms "measured", "indicated" and "inferred" when referring to mineral resources. The Corporation advises U.S. investors that while these terms are recognized and required by Canadian securities administrators, they are not recognized by the Securities and Exchange Commission (“**SEC**”). The estimation of "measured" and "indicated" mineral resources involves greater uncertainty as to their existence and economic feasibility than the estimation of proven and probable reserves. The estimation of "inferred" resources involves far greater uncertainty as to their existence and economic viability than the estimation of other categories of resources.

It cannot be assumed that all or any part of a "measured", "indicated" or “inferred" mineral resource will ever be upgraded to a higher category.

Under Canadian rules, estimates of "inferred mineral resources" may not form the basis of feasibility studies, pre-feasibility studies or other economic studies, except in prescribed cases, such as in a preliminary economic assessment under certain circumstances. The SEC normally only permits issuers to report mineralization that does not constitute "reserves" as in-place tonnage and grade without reference to unit measures. Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. U.S. investors are cautioned not to assume that any part or all of a "measured", "indicated" or "inferred" mineral resource exists or is economically or legally mineable. Information concerning descriptions of mineralization and resources contained herein may not be comparable to information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC.