MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended December 31, 2020 and 2019
(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 years ended December 31, 2020 and 2019. This MD&A should be read in conjunction with the Corporation's audited consolidated financial statements and related notes for the years ended December 31, 2020 and 2019, which are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). 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 March 19, 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, three of which are currently being mined (Baloo, Fairplay North and Hidden Secret/Mousehollow) 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, 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 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 years ended December 31, 2020 and 2019 is shown below.

(in thousands of dollars except per share amounts)

For the years ended December 31,	**2020**	2019
Revenue	**$239,136**	$128,036
Production and processing costs	**108,880**	78,836
Impairment reversal - property, plant and equipment and mineral property interests	**(36,087)**	-
Earnings (loss) before income taxes [1]	**95,133**	(7,716)
Net earnings (loss) [1]	**88,130**	(6,942)
Net earnings (loss) per share - basic	**0.63**	(0.06)
Net earnings (loss) per share - diluted	**0.61**	(0.06)
Adjusted EBITDA [2,3]	**89,786**	13,351
Adjusted EBITDA per share - basic [2,3]	**0.64**	0.11
Cash flow provided by operating activities	**91,132**	15,179
Cash investment in property, plant and equipment and mineral property interests	**(72,397)**	(25,391)

1. For 2020, Earnings (loss) before income tax include an impairment reversal of $36.1 million and net earnings include an after tax impairment reversal of $25.3 million.
2. Non-IFRS: the definition and reconciliation of these measures are included in the Non-IFRS Measures section 17 of this MD&A.
3. Earnings before interest, taxes, depreciation and amortization ("**EBITDA**").

For the periods ended December 31,	Three months ended 2020	Three months ended 2019	Year ended 2020	Year ended 2019
Gold Operations (Consolidated)				
Tonnes milled (000s)	**331**	321	**1,325**	755
Recoveries	**93%**	90%	**93%**	91%
Gold milled, grade (g/t Au)	**2.52**	2.60	**2.33**	2.65
Gold produced (ounces)	**25,637**	26,874	**99,249**	64,277
Gold sold (ounces)	**27,933**	28,359	**98,656**	65,225
Average realized price (US $/oz sold)	**$1,871**	$1,451	**$1,480**	$1,368
Cash operating costs (US $/oz sold)[1]	**$843**	$929	**$925**	$1,004
All-in sustaining cost (AISC) (US $/oz sold)[1]	**$912**	$1,131	**$1,026**	$1,155
Gold (Beta Hunt Mine)[1]				
Tonnes milled (000s)	**182**	133	**745**	475
Gold milled, grade (g/t Au)	**3.13**	3.81	**2.77**	3.11
Gold produced(ounces)	**16,965**	16,290	**66,479**	37,642
Gold sold (ounces)	**18,234**	17,561	**65,838**	48,716
Cash operating cost (US $/oz sold)[1]	**$836**	$773	**$943**	$958
Gold (HGO Mine)				
Tonnes milled (000s)	**149**	188	**580**	280
Gold milled grade (g/t Au)	**1.95**	1.75	**1.90**	1.85
Gold produced (ounces)	**8,672**	10,584	**32,770**	16,635
Gold sold (ounces)	**9,698**	10,798	**32,818**	16,509
Cash operating cost (US $/oz sold)[1]	**$858**	$1,182	**$886**	$1,136

1. Non-IFRS: the definition and reconciliation of these measures are included in the Non-IFRS Measures section 17 of this MD&A.

2021 Production and Cost Guidance

For the year ending December 31, 2021, the Corporation issued consolidated production and cost guidance for Karora's Australian operations (Beta Hunt and HGO) of 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. Consolidated HGO, Beta Hunt and Spargos drilling and exploration expenditures for the full year 2021 are targeted to be approximately US$15 million (A$20 million). Reference is made to the Non-IFRS Measures section 17 of this MD&A. This guidance assumes no significant disruption in operations as a result of the COVID 19 virus.

Fourth Quarter and Annual Highlights for 2020

Gold production Exceeded Guidance: Consolidated gold production of 99,249 ounces for 2020 from its Beta Hunt and Higginsville mines in Western Australia, exceeded the top end of the 2020 production guidance of 90,000 to 95,000 ounces. Gold sales for 2020 totaled 98,656 ounces. For the fourth quarter of 2020, production was 25,637 ounces, the strongest quarter of production in 2020.

Ongoing Cost Reductions: Consolidated AISC was US$912 per ounce for the fourth quarter of 2020, an improvement of 13% over the third quarter of 2020. Consolidated AISC for 2020 was US$1,026 per ounce which beat on 2020 guidance of US$1,050 to US$1,200 per ounce and was 11% lower than 2019.

Strengthened Cash Position and Balance Sheet: Karora ended 2020 with a strong cash position of $79.7 million, an increase of $45.0 million compared to December 31, 2019. The increase in cash position is net of $4.0 million in debt repayments and $8.9 million paid into legacy gold price hedges in the first half of 2020. Karora elected to reduce its debt position with its lenders during 2020, resulting in a reduction of its debt position which excludes the Morgan Stanley installments additions from $30.8 million at December 31, 2019 to $29.3 million as of December 31, 2020. Gold sales have been fully exposed to market gold prices since July 1, 2020. Working capital was $56.8 million as of December 31, 2020, an improvement of $30.3 million compared to working capital of $26.5 million for the same period ended December 31, 2019.

Consolidated Gold Mineral Reserve and Gold Mineral Resource: On December 16, 2020, Karora announced a 334% increase in consolidated gold Proven and Probable ("2P") Mineral Reserves to 1.33 million ounces (23,531 kt @ 1.8 g/t) and a 167% increase in consolidated Measured and Indicated ("M&I") gold Mineral Resources to 2.52 million ounces (41,994 kt @ 1.9 g/t) for its Beta Hunt and Higginsville operations in Western Australia. The updated Mineral Resource and Reserve estimate is effective as of September 30, 2020. The September 30, 2020 Mineral Resource and Reserve update does not include the high grade Spargos Reward Project or the newly discovered high grade Larkin zone at Beta Hunt.

Significant Royalty Reduction Leading to Increased Production Potential and Lower Costs: During 2020, Karora successfully negotiated the reduction or elimination of a number of royalties on its Western Australian properties. An agreement with Maverix Metals Inc. was reached for consideration of US$18.0 million to reduce the Beta Hunt gold royalty by 37% (from 7.5% to 4.75%) effective July 1, 2020. During the second quarter of 2020, the Corporation eliminated the Morgan Stanley Capital Group Inc. ("**Morgan Stanley**") NSR ("Net smelter royalty") gold royalty on the Higginsville properties for a consideration of US$9 million which will be settled in installments. The 110,000 ounce participation payment arrangement with Morgan Stanley remains in place. On November 9, 2020, Karora completed a re-purchase of the 3% gross gold royalty held by Ramelius Resources Limited in respect of the Spargos Reward Gold Project (acquired by Karora in August 2020) via payment of A$3 million, satisfied with A$2 million in cash and 264,187 Karora shares.

Spargos Reward acquisition: On August 7, 2020, Karora completed the acquisition of the Spargos Reward Gold Project for A$4 million (an additional A$2.5 million to be paid to the vendor contingent on reaching certain milestones). Spargos is a high-grade open pit gold project in Western Australia that is expected to begin generating positive cash flow for Karora in the second half of 2021.

Sale of remaining interest in Dumont Nickel Project: During 2020, Karora sold its remaining interest in Dumont to sharpen the corporate focus on gold and reduce corporate overhead. On July 27, 2020, Karora closed the sale of its 28% interest in the Dumont project for proceeds of up to $47.6 million. Karora immediately received $10.7 million in cash, consisting of $7.4 million from Waterton for its interest and a $3.3 million refund of Karora's share of the cash held within the Dumont Joint Venture. Karora also has the right to receive a portion of future proceeds of any future Dumont sale or other monetization event. On a sale or other monetization event, the Corporation will be entitled to receive 15% of the net proceeds from the transaction (net of certain agreed costs and deductions) up to a maximum of an additional US$ 30 million.

Share consolidation: Effective July 31, 2020, the Corporation completed a consolidation of its outstanding common shares on the basis of one (1) post-consolidation common share for every four and a half (4.5) pre-consolidation common shares (the "Consolidation"). The exercise price and the number of common shares issuable under any of the Corporation's outstanding share-based securities such as warrants, stock options and restricted share units, as applicable, were proportionately adjusted.

Management Update:
On February 8, 2021, Karora announced Paul Andre Huet, Chairman and CEO, will be relocating to Western Australia in the first half of 2021 to lead Karora's near term organic growth initiatives alongside Graeme Sloan, Managing Director Australian Operations. With Karora's focus on organic growth at its Australian gold operations, the Corporation intends to take full advantage of Mr. Huet's proven leadership and mining operations experience and skills in Karora's growth plans.

Also on February 8, 2021, Karora announced Oliver Turner has been promoted from Senior Vice President Corporate Development and Investor Relations to the position of Executive Vice President, Corporate Development and will continue to be based in Toronto, Canada. Mr. Turner will continue to oversee strategic corporate initiatives and will provide senior leadership to support Karora's TSX listing and capital markets relationships in North America.

During the fourth quarter of 2020, Mike Doolin was appointed to the position of Senior Vice President, Technical Services of Karora. Mr. Doolin is a mining professional with over 30 years of operational and management experience. Prior to joining Karora, he served as Interim CEO/ COO of Silver Elephant Mining Corp., Mr. Doolin was previously Chief Operating Officer at Klondex Mines Ltd., a mid-tier precious metals mining company with over 200,000 ounces annual gold production prior to its takeover by Hecla Mining Company in 2018.

3. OPERATIONAL OVERVIEW, PROJECT UPDATES AND NEW DEVELOPMENTS

Consolidated Operations

Due to operational and productivity improvements, total tonnes mined for 2020 increased by 133% (816,000 tonnes) and tonnes milled increased by 75% (570,000 tonnes) compared to 2019. Total gold production was 99,249 ounces, 54% higher than 2019. Cash costs for 2020 were US$925 per ounce. For the fourth quarter of 2020, consolidated gold production was 25,637 ounces, the Corporation's sixth consecutive quarter of consistent gold production since acquiring the HGO mill in mid-2019. The HGO mill feed was approximately 55% material from Beta Hunt underground and 45% from HGO open pits.

On December 16, 2020, the Corporation announced a 334% increase in consolidated gold Proven and Probable ("2P") Mineral Reserves to 1.33 million ounces and a 167% increase in consolidated Measured and Indicated ("M&I") gold Mineral Resources to 2.52 million ounces for its Beta Hunt and Higginsville operations in Western Australia. The updated Mineral Resource and Reserve estimate is effective as of September 30, 2020 and does not include the high grade Spargos Reward Project or Larkin gold discovery at the Beta Hunt mine. 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.

Karora Consolidated 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
Beta Hunt	329	2.4	25	5,451	2.6	456	5,780	2.6	482
Higginsville	8,503	1.3	362	9,249	1.6	483	17,752	1.5	845
Total	**8,832**	**1.4**	**387**	**14,700**	**2.0**	**940**	**23,531**	**1.8**	**1,327**

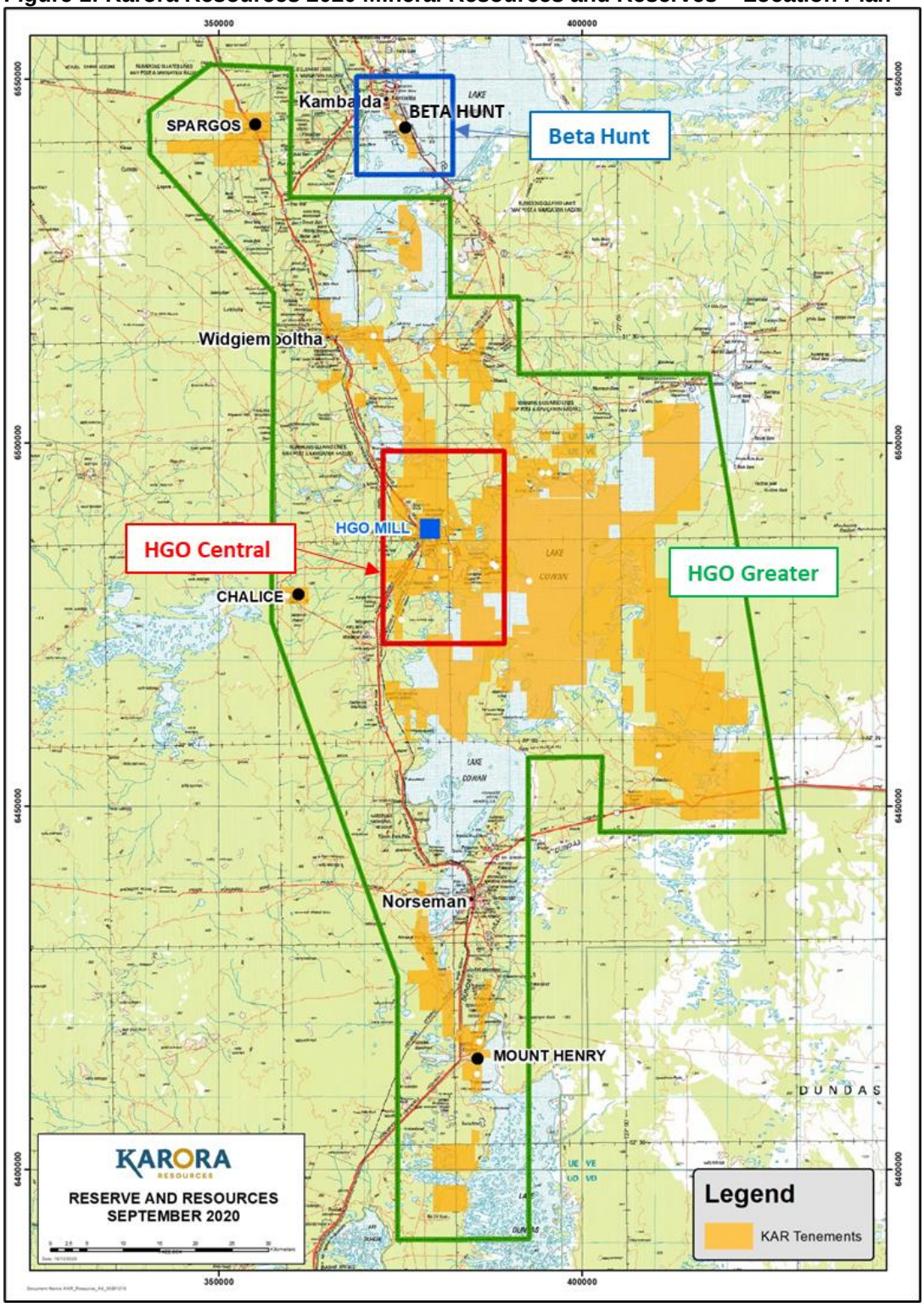
Karora Consolidated Gold Mineral Resources as at September 30, 2020

Mineral Resource	Measured			Indicated			Measured & Indicated			Inferred		
	Kt	g/t	Koz	Kt	g/t	Koz	Kt	g/t	Koz	Kt	g/t	Koz
Beta Hunt	630	2.4	49	11,369	2.8	1,006	11,999	2.7	1,055	6,146	2.7	537
Higginsville	13,362	1.4	604	16,633	1.6	862	29,994	1.5	1,466	4,581	2.1	310
Total	**13,992**	**1.5**	**653**	**28,001**	**2.1**	**1,868**	**41,994**	**1.9**	**2,521**	**10,727**	**2.5**	**847**

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 own feed.
As previously mentioned, the elimination of the Morgan Stanley NSR royalty 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

Overall, HGO's performance met or exceeded guidance throughout 2020 despite the additional cost and business disruption associated with the COVID-19 pandemic which included both restricted access to certain equipment and higher cost skilled labour. Tonnes milled during 2020 were 580,000 tonnes at a grade of 1.90 g/t, a 107% and 3% improvement over 2019, respectively. Total HGO gold production was 32,770 ounces at a cash cost of US $886 per ounce.

Throughout 2020, the HGO mining and milling operations continued to improve despite the impacts of COVID-19 and the competition for people and equipment resources within the region. In June 2020, Don Harper was appointed as General Manager HGO Operations to lead the management team in the next stage of growth and development at HGO. Mr Harper brings a wide range of corporate, operational and development skills to the role and will play a key role in taking HGO to the next level.

On December 19, 2019, the Corporation announced, effective January 1, 2020, a restructuring of the royalty held by Morgan Stanley Capital Group Inc. ("**Morgan Stanley**") over a number of tenements at HGO located in Western Australia. This revised royalty structure has allowed for a new strategic approach to many of the previously uneconomic historical resources throughout the HGO tenements. Resources previously labelled marginal or uneconomic are now very real mining and exploration targets and this has revitalized the entire area covered by the previous royalty.

Prior to these amendments, the royalty on these tenements was comprised of a 1.75% NSR plus a 50.0% participation payment on the difference between realized gold price and A$1,340 per ounce (the "**legacy rate**").

The details of the restructured royalty are as follows:

- An adjusted legacy royalty on the first 2,500 ounces sold per quarter comprised of a reduced 27.5% participation payment (reduced from 50.0% previously) on the difference between realized gold price and A$1,340 per ounce. This legacy rate will apply to a cumulative total of 110,000 ounces.

During 2020, construction commenced on a staged raising of the Higginsville Tailings Storage Facility ("TSF"). This work was completed in December 2020 and will provide an additional 12 months of storage. The second stage of

construction is expected to begin in the third quarter of 2021 which is expected to add an additional two years of capacity. The site has ample capacity for planned additional lifts beyond stage two.

Baloo Open Pit

Minimal production occurred during the fourth quarter of 2020 at Baloo with mining focused primarily at Hidden Secret and Fairplay North. Mine production from Baloo totaled 28,115 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. Additional exploration drilling was conducted during the fourth quarter to test the eastern margins of the main mineralized zone. This drilling resulted in the commencement of a minor cutback in the North eastern corner of the pit with the remaining ore to be mined during early 2021.

Fairplay North Open Pit

As part of the HGO mining strategy, production from the Fairplay North pit was staged to coincide with mining the remaining Baloo open pit ore to ensure optimal feed blend to the HGO mill. The Fairplay North open pit was completed during the quarter in line with our mining schedule and budget.

Hidden Secret and Mousehollow Open Pits

At Hidden Secret, mining of first ore commenced in the fourth quarter. Metallurgical recoveries were aligned with testwork at 92-93%, and mining shapes and production in line with forecast. At Mousehollow, an open pit optimization has been completed, and a mining proposal submitted and approved by the appropriate authorities. These pits will provide Karora additional operational flexibility and mill feed optimization.

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) will be updated as part of the Corporations 2021 resource report.

At Two Boys dewatering and exploratory work to ascertain the conditions of the historic underground workings is expected to be undertaken in Q1 2021. Resource definition drilling will be conducted in association with this work.

[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.

The Corporation recently negotiated the elimination of a 3% gold royalty covering the Spargos Reward tenement for total consideration of 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 both further improve already strong pit economics as well as drive further exploration successes across the land package.

An infill and extensional drilling program to convert historical mineral resources to mineral reserves continued throughout the fourth quarter and into early 2021. As announced on March 1, 2021, all drilling associated with the updated estimate has now been received. Assay results from this work were delayed due to laboratories in the region reaching full capacity with delays up to a month or more. These delays, along with very strong exploration results announced on November 18, 2020 (29.8 g/t over 19 metres and 27.3 g/t over 15 metres) impacted the targeted completion of the Spargos resource in the fourth quarter. The revised Spargos resource estimate is now expected in the first half 2021 which remains 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 will form part of the final mine plan submitted for mining approval with the appropriate authorities.

Beta Hunt Operations Overview

The Beta Hunt Mine is located approximately 70 kilometres by sealed 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 2020 was 747,000 tonnes mined, a 67% increase on 2019, and 745,000 tonnes milled, a 57% increase on 2019. Gold production was 66,479 ounces at a cash cost of US$943 per ounce.

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 the continued production ramp up in 2021.

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. Exploration is also targeting two additional nickel targets with results expected early 2021. 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**	**25**	**5,451**	**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	**630**	**2.4**	**49**	**11,369**	**2.8**	**1,006**	**11,999**	**2.7**	**1,055**	**6,146**	**2.7**	**537**

Exploration Overview

The fourth quarter of 2020 marked a significant ramp-up in Exploration activity building on the exploration success achieved in 2020 and reflecting Karora's strong commitment to organic growth underlined by a 50% increase in the consolidated 2020 exploration budget to A$15M (Karora news release, Sept. 10, 2020). The ramp-up is best highlighted in drilling activity where drilling totaled 44,047m in the fourth quarter of 2020 which represents 58% of the total drill metres (76,406m) for 2020. This large quantum of drilling during the fourth quarter was the result of drilling delays earlier in the year associated with the impact of COVID-19 restrictions in place which limited third party contractors on site.

Higginsville

At Higginsville 36,110m of drilling were completed in the fourth quarter of 2020. Throughout the fourth quarter, up to six drill rigs were working – four focused on exploration (including three in greenfields targets) and two with Resource Development projects. Key milestones for the quarter included the commencement of the Lake Cowan scout drilling program covering targets outlined by the Desktop Targeting Study and the first Karora drill holes into the recently acquired Spargos Reward deposit.

Aside from the Lake Cowan aircore drill program, exploration drilling was undertaken at the Sinclair, Igloo, Sun Bear, Porphyry and Josephine prospects. In addition, Karora commenced drilling on the Zebra Hill and Magip Prospects which are part of the Spargos Project area. Initial assay results were returned for the on-going Lake Cowan aircore program. As reported February 8, 2021 the scout drilling returned an impressive 1.35 g/t over 50 metres (from 68 metres), including 3.64 g/t Au over 16 metres in hole HIGA8864. 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 lake aircore drill program is planned to continue into the second quarter of 2021. Elsewhere, preliminary assays were also received for Vine and Barcelona where geological evaluation is in progress on both prospects. Figure 2 below shows some of the areas where Karora is either actively advancing or evaluating high-priority exploration targets at HGO during the fourth quarter.

Resource Definition drilling focused on the Spargos Reward deposit with minor follow up drilling late in the fourth quarter at the Two Boys and Hidden Secret deposits. Drilling totaled 12,900m for the fourth quarter.

At Aquarius, drill assays received during the quarter extended both the supergene and primary high grade mineralisation at this deposit (Karora news release, November 9, 2020). At Spargos, a resource definition program was completed late in the fourth quarter returned a number of exciting drill results, with shallow, high grade gold mineralization over broad widths not represented in the Historical Mineral Resource Estimate being intersected. These results highlight the potential of north plunging, high grade shoots to extend the current mineralized system (Karora news releases, 18 November, 2020).
The Spargos drill program has provided increased confidence in the existing historical mineral resource whilst extending the known mineralization along strike with the aim of delivering a mineral resource suitable for the production of a mineral reserve. This Mineral Reserve will form the basis of an initial mine plan with initial ore expected to be mined at Spargos in the second quarter of 2021.

<u>Spargos (from Karora news release, March 1, 2021)</u>

The Infill RC drill program designed to upgrade the Historical Mineral Resource and support resource modelling for open pit evaluation has been completed. Drilling totalled 107 holes for 9,590 metres. In addition, two geological diamond holes were completed to support open pit mine design assumptions. Drilling targeted mineralization over

400 metres of strike to a depth of approximating 100 metres below surface – in line with expectations for open-pit mine depths. All assay results from this drilling have been received. Assay highlights from this program are listed below, including some previously released drill intersections.

Highlighted gold intersections from the drilling[1] are listed in order below:

New results

- 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

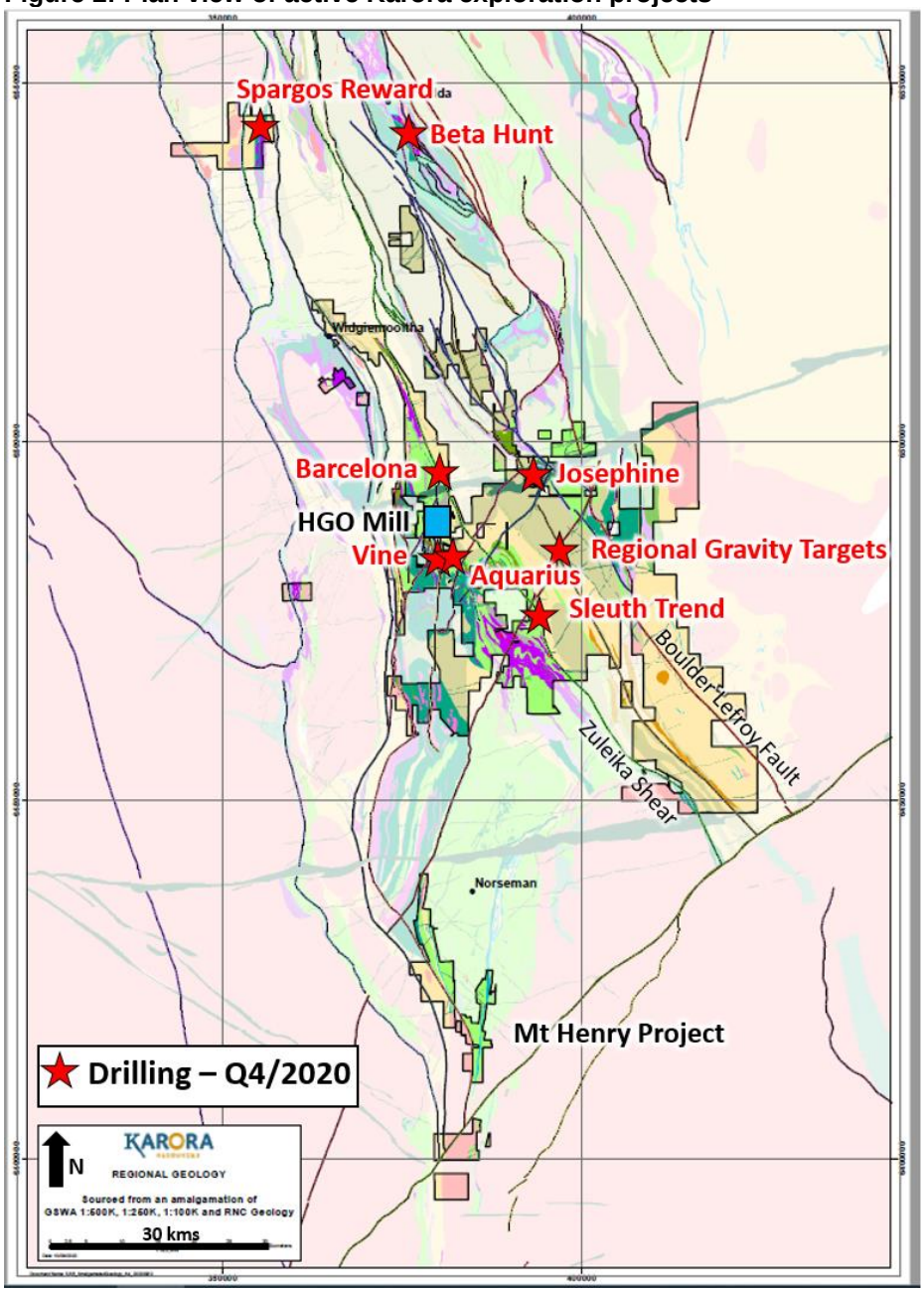
Previously released (Karora news release, November 18 ,2020

- SPRC0012: 27.3 g/t over 15.0 metres, including 168.0 g/t over 1.3 metres
- SPRC0013: 5.7 g/t over 8.0 metres
- SPRC0019: 8.0 g/t over 19.0 metres, including 20.6 g/t over 2.0 metres
- SPRC0026: 29.8 g/t over 19.0 m, including 99.5 g/t over 5.0 metres
- SPRC0028: 29.8 g/t over 3.0 metres
- SPRC0030: 6.9 g/t over 8.0 metres
- SPRC0032: 8.7g/t over 16.0 metres

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

The results above are associated with an interpreted north plunging shoot of high grade gold mineralization. The down plunge position of this shoot and potential parallel shoots remain virtually untested by drilling and represents significant exploration potential to grow the existing historical mineral resource.

Figure 2: Plan view of active Karora exploration projects



Beta Hunt

Exploration drilling at Beta Hunt during the quarter focused predominantly on upgrading and extending the northern, up-plunge margin of the A Zone mineral resource, the Larkin Gold Zone and testing nickel trough extensions in the Beta area which included five co-funded diamond holes targeting the interpreted position of the 50C nickel trough south of the Gamma Island Fault. The targeted 50C nickel trough is interpreted as a potential repeat of the Beta nickel mineralization which is currently being mined. Two of the five holes intersected nickel sulphide on the basalt/ultramafic contact with results expected in the first quarter of 2021. The co-funded holes refer to drill holes that were approved under the Exploration Incentive Scheme (EIS), an initiative of the Western Australian Government which allows for successful submissions to have 50% of drilling costs recovered from the WA Government. Drilling totaled 7,938m for the quarter.

At the Larkin Gold Zone, drill results from the first two follow-up drill holes were reported in a Karora news release on February 1, 2021. The results are shown below and support the potential of this mineralisation as a third gold resource area in addition to the A Zone and Western Flanks Mineral Resource. Drill results[1.] announced are listed below:

- EL-EA2-023E: **19.0 g/t over 9.0 metres, including 542 g/t over 0.3 metres**
- EL-EA2-023E: **6.4 g/t over 3.0 metres, including 16.2 g/t over 1.0 metres**
- EL-EA2-023E: **2.3 g/t over 9.7 metres**
- EL-EA2-018E: **4.0 g/t over 3.0 metres**

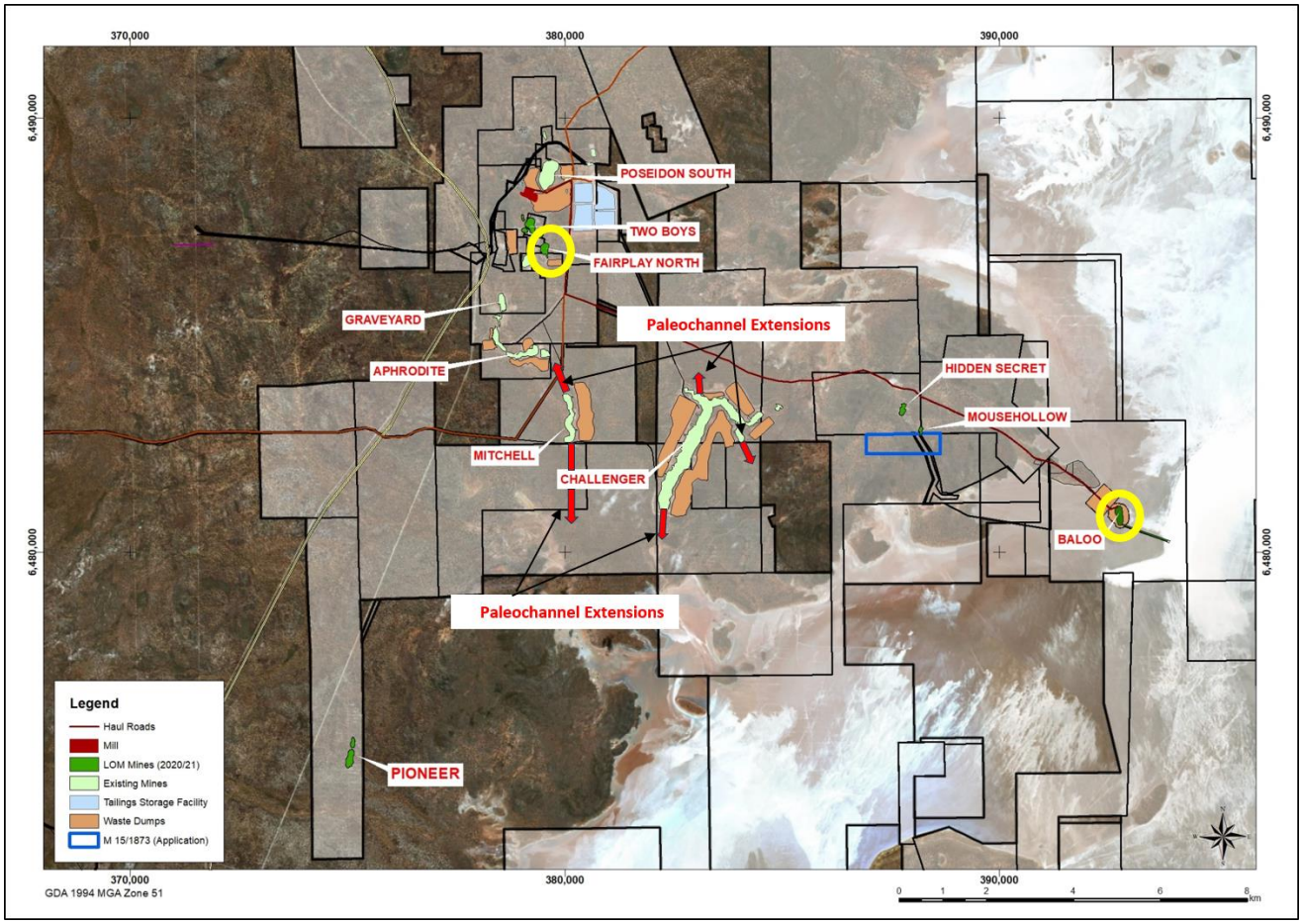
1. *Downhole intervals. True widths are estimated to be 90% of downhole widths.*

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 3 below highlights a number of areas where Karora is either actively advancing or evaluating priority targets. In addition to Baloo, where Karora has been developing and mining since the HGO acquisition in June 2019, the Corporation is actively mining, exploring or evaluating include Hidden Secret-Mousehollow, Pioneer, the Two Boys extension and Aquarius. Other areas, such as the Paleochannel extensions and a potential Fairplay North underground, will continue to be evaluated in 2021.

Figure 3: Plan view of HGO highlighting locations of active Baloo and Fairplay North mines.



Baloo

The main 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, will be staged to optimize the use of mining equipment and personnel with other planned mining activities including Hidden Secret.

Fairplay North

The Fairplay North pit is located only 1 km from the HGO mill. Open mining was previously forecast to be completed during the third quarter of 2020; however, grade control drilling in the third quarter delineated additional ore at the base of the pit which prompted a small cut back with mining continuing into the fourth quarter of 2020. Although most of this ore was obtained via the open pit, there were a number of high grade areas remaining at the base of the pit which will be looked at as a potential underground resource due to the high cost of further cut backs. Additional drilling will be undertaken by the Resource Definition exploration team to better delineate the remaining resources. This work will be part of the Resource Definition priority drill program.

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 BH. 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 and new targets aimed at +250k oz discoveries.

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 is 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.

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 improve on the current two year mine plan.

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.

Reference is made to the Non-IFRS Measures section 17 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, double the initial 2020 guidance and 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 +1,900 km2 land package.

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 years ended December 31,	**2020**	2019	Change
Revenue	**$239,136**	$128,036	$111,100
Production and processing costs	**108,880**	78,836	30,044
Royalty expense	**16,807**	9,805	7,002
General and administrative: share-based compensation	**10,816**	2,463	8,353
General and administrative: other	**15,967**	14,781	1,186
Depreciation and amortization	**23,733**	9,287	14,446
Impairment reversal - property, plant and equipment and mineral property interests	**(36,087)**	-	(36,087)
Operating earnings	**99,020**	12,864	86,156
Other expenses, net	**3,887**	20,580	(16,693)
Earnings (loss) before income tax	**95,133**	(7,716)	102,849
Income tax (expense) recovery	**(7,003)**	774	(7,777)
Net earnings (loss)	**88,130**	(6,942)	95,072
Net earnings (loss) per share - basic	**$0.63**	$(0.06)	$0.69
Net earnings (loss) per share - diluted	**$0.61**	$(0.06)	$0.67

Year ended December 31, 2020 compared with the year ended December 31, 2019

Net earnings for the year ended December 31, 2020 was $88.1 million compared to a net loss of $6.9 million for the comparable period in 2019. Net earnings was positively impacted by the profits associated with increased revenues of $111.1 million and an impairment reversal of property, plant and equipment which resulted in profit of $36.1 million which are discussed below.

Revenue

For the year ended December 31, 2020, the Corporation generated revenue of $239.1 million of which HGO contributed $78.2 million, and Beta Hunt contributed $160.9 million. During the comparable period in 2019, the Corporation generated revenue of $128.0 million where HGO and Beta Hunt contributed $33.4 million and $94.6 million, respectively. The increase in revenue in 2020 was the result of higher gold ounces sold and prices realized on ounces sold which increased by 51% and 8%, respectively.

Production and processing costs

For the year ended December 31, 2020, production costs, after adjustments for changes in inventories, were $108.9 million compared to $78.8 million in the comparable period in 2019. Production costs include mining, processing, surface services and other mine general and administrative costs. The increase was due to the increase in 2020 tonnes mined and tonnes processed at Beta Hunt and the fact that HGO results were only included for 6 months in 2019, being the period subsequent to its acquisition. As noted above, the Corporation had an increase in ounces sold of 51% which contributed to higher production and processing costs.

Royalty expense

Royalties for the year ended December 31, 2020 were $16.8 million compared to $9.8 million for the comparative year. The increase in royalty expense was due to higher revenues from mine operations impacting the amount recognized under the royalty agreements.

General and administration: share-based compensation

For the year ended December 31, 2020, general and administrative: share-based compensation was $10.8 million compared to $2.5 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, there was a substantial increase in the share price which impacted the share-based programs which are marked to market. The common share price increased by 68% in 2020 compared with an increase of 4% in 2019.

Depreciation and amortization
Depreciation and amortization expense, after adjustments for changes in inventories, for the year ended December 31, 2020 was $23.7 million compared to $9.3 million in the comparable period in 2019. The increase in depreciation and amortization was primarily due to the increase in mined and sold ounces as well as the additional depreciation expense associated with capital additions.

Impairment reversal – property, plant and equipment
During the year ended December 31, 2020, an impairment reversal test concluded that the carrying value of the Beta Hunt Mine cash-generating unit assets was lower than the fair value less costs of disposal which resulted in a full reversal of the original impairment loss recorded on December 31, 2017 after reflecting the amount of depreciation that would have been recorded had the assets not been impaired. The Corporation recorded a pre-tax impairment reversal of $36.1 million. Reference is made to note 8 of the consolidated financial statements for further details.

Other expenses, net
For the year ended December 31, 2020, other expenses, net decreased by $16.7 million which are primarily due to foreign exchange differences of $17.7 million. The foreign exchange movement is non-cash and primarily relates to the translation of Australian denominated accounts within consolidated entities. The Australian dollar increased by 7.8% in 2020 compared with a decrease of 5% for the prior year.

Income tax (expense) recovery
For the year ended December 31, 2020, income tax expense was $7.0 million compared to a tax recovery of $0.8 million for the comparable period in 2019. The Corporation had current tax recoveries due to over payments for the 2020 and 2019 period. Deferred tax expense increased by $8.1 million for the year ended December 31, 2020. The primary reason for the increase was due to improved performance within the Australian operations which gave rise to a significant increase in taxable income, which was significantly offset by the benefits of the group tax consolidation in Australia.

Summary of Quarterly Results

(in thousands of dollars)	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	$69,349	$59,405	$56,100	$54,282	$56,832	$43,092	$17,249	$10,863
Earnings (loss)	$42,906	$34,867	$9,818	$539	$10,465	($1,378)	($14,452)	($1,577)
Net earnings (loss) per share - basic	$0.30	$0.24	$0.07	$0.00	$0.08	($0.01)	($0.13)	($0.02)
Net earnings (loss) per share - diluted	$0.28	$0.24	$0.07	$0.00	$0.08	($0.01)	($0.13)	($0.02)

Revenues for the year improved quarter over quarter ranging from $54.3 million in the first quarter to $69.3 million in the fourth quarter of 2020. Of the $239.1 million reported annual revenue for 2020, HGO contributed $78.2 million and Beta Hunt an additional $160.9 million. The Corporation reported earnings of $88.1 million for 2020, an increase of $95.1 million compared to 2019, which was largely driven by the increase in revenue and the above noted impairment reversal.

Quarterly results will vary in accordance with the Corporation's 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 years ended December 31,	**2020**	2019	Change
Cash provided by operations prior to changes in working capital	**$85,226**	$8,521	$76,705
Changes in non-cash working capital	**5,906**	6,658	(752)
Cash provided by operating activities	**91,132**	15,179	75,953
Cash used in investing activities	**(61,699)**	(47,207)	(14,492)
Cash provided by financing activities	**14,619**	65,349	(50,730)
Effect of exchange rate changes on cash and cash equivalents	**987**	(5)	992
Change in cash and cash equivalents	**$45,039**	$33,316	$11,723

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

Operating Activities
For the year ended December 31, 2020, cash provided by operating activities, prior to changes in non-cash working capital, was $85.3 million compared to cash provided of $8.5 million for the same period in 2019, representing an increase of $76.7 million. The increase is primarily due to the above noted increase in net earnings before taxes of $102.9 million as adjusted for the non-cash impairment reversal of $36.1 million for a net $66.8 million. Working capital changes provided cash of $5.9 million during the year ended December 31, 2020 which was in line with cash provided of $6.7 million for the same period in 2019.

Investing Activities
Investing activities for the year ended December 31, 2020 reflected a use of cash of $61.7 million. The primary outflows in 2020 related to the acquisition of property, plant and equipment of $46.3 million, royalty buy backs of $20.4 million and the Spargos acquisition of $5.7 million. Partially offsetting these outflows were the proceeds received on the sale of Dumont and Orford of $10.7 million.

Financing Activities
For the year ended December 31, 2020, cash provided by financing activities of $14.6 million compared to cash provided of $65.3 million for the same period in 2019. The decrease of $50.7 million is mainly due to the decrease in proceeds on issuance of shares of $18.5 million. In addition, the prior year had a cash inflow of $36.3 million in respect of the issuance of debt. Partially offsetting was lower repayments of debt of $5.7 million in 2020.

As a result of the foregoing activities, for the year ended December 31, 2020, the net cash provided by operating, investing and financing activities was $45.0 million compared to cash provided of $33.3 million in 2019.

<u>September 2019 Financing – Use of Proceeds Reconciliation:</u>

The Corporation raised total gross proceeds of $18.5 million by issuing a total of 46.2 million common shares and 23.8 million warrants in an offering described in the short-form prospectus, of the Corporation dated, and filed on SEDAR on, September 17, 2019 (the "**September Prospectus**"). Total net proceeds of the offering, after deducting underwriters' fees and other expenses, was $17.5 million which includes the additional over-allotment of funds received. Set out below is a comparison of the use of the proceeds of this offering as described in the September Prospectus versus actual.

Use of Proceeds	Actual use of proceeds June 30, 2020	Use of proceeds Short Form Prospectus Dated September 17, 2019
Further capital development for production in the A Zone and Western Flanks (Beta Hunt Mine)	$4,604	$2,800
Exploration and development drilling and related activities in the A Zone, Western Flanks, Fletcher, and areas south of the Alpha Island Fault (Beta Hunt Mine)	2,041	1,200
Capital expenditures relating to the Mill at the Higginsville Operations and integration of the Mill with the Beta Mine (including crusher product screen, replacement of secondary crusher, refurbishment of mill thickener, replace auto lubrication system on mill)	808	1,500
Testing the installation of HV power to the Higginsville operation and the integration of the Beta Hunt and Higginsville operations including diesel, haulage, stores and maintenance	6	1,000
Geological review and exploration of the Higginsville property package.	4,449	2,000
Other capital expenditures relating to the Beta Hunt Mine (including mine ventilation, refurbishment of mobile equipment, and spares).	2,646	5,000
Working capital and general corporate purposes	2,246	3,300
	$16,800	$16,800

All proceeds raised were used as of June 30, 2020.

As noted in the September Prospectus, the amount actually spent for the purposes described above could vary significantly from the September Prospectus disclosure depending on, among other things, the gold price, unforeseen events, and the Corporation's operating and capital needs from time to time.

Liquidity and Capital Resources

(in thousands of dollars)	**December 31, 2020**	December 31, 2019	December 31, 2018
Cash and cash equivalents	**$79,695**	$34,656	$1,340
Working capital [1]	**56,835**	26,506	(18,992)
Property, plant and equipment and mineral property interests	**239,044**	98,955	24,530
Total assets	**350,099**	177,777	58,012
Current liabilities excluding current portion of financial liabilities [2]	**48,295**	31,593	25,491
Non-current liabilities excluding non-current portion of financial liabilities [2]	**55,650**	21,783	1,618
Financial liabilities (current and non-current) [2]	**38,950**	32,119	4,782
Total liabilities	**142,895**	85,495	31,891
Shareholders' equity	**207,204**	92,282	26,121

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 December 31, 2020, the Corporation had a working capital surplus of $56.8 million compared to $26.5 million as at December 31, 2019, an improvement of $30.3 million. The majority of the working capital increase was a result

of the Corporation's increase in cash and cash equivalents of $45.0 million which was partly offset by an increase of accounts payable and accrued liabilities of $13.2 million.

Total assets as at December 31, 2020 increased by $172.3 million compared to December 31, 2019, primarily due to an increase in cash and cash equivalents of $45.0 million, an increase in property, plant and equipment and mineral property interests of $140.0 million and an increase in inventories of $5.8 million, partially offset by a decrease in investments in associates of $19.7 million and a decrease in trade and other receivables of $2.7 million.

Total liabilities as at December 31, 2020 increased by $57.4 million compared to the period ended December 31, 2019. The increase is primarily due to increases in derivative financial liabilities, accounts payable and accrued liabilities, share incentive plan liabilities and debt of $22.6 million, $13.2 million, $3.8 million and $4.2 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)

Year ended December 31, 2020 compared to the year ended December 31, 2019.

For the year ended December 31, 2020, gold production was 99,249 ounces, which exceeded the 2020 production guidance and increased 54% compared to the 2019 gold production. Gold sales increased 51% in 2020 to 98,656 ounces. Tonnes milled throughout the 2020 year increased 75%, which represents an increase of 570kt milled tonnes throughput compared to the prior period ended December 31, 2019.

These increases were primarily due to the HGO acquisition and increased efficiencies on the Corporation's various mine sites.

Three months ended December 31, 2020 compared to the three months ended December 31, 2019.

Fourth quarter of 2020, gold production was 25,637 ounces compared to 26,874 ounces in the fourth quarter of 2019 and a slight increase on the 24,717 ounces produced in the third quarter of 2020.

Tonnes milled for the fourth quarter of 2020 totalled 331kt.The consolidated gold milled grade in the fourth quarter was 2.52 grams per tonne of gold ("**g/t Au**"), 3% lower than in the fourth quarter of 2019 due to a higher level of Higginsville open pit material compared to exclusive Beta Hunt material used during the fourth quarter of 2019. The fourth quarter of 2020 mill grade of 2.52 g/t was slightly higher than the mill grade of 2.36 g/t in the third quarter of 2020 which was in part due to lower grade stockpiles being utilized during the third quarter to offset the management of lower grade ROM stockpile material used during the disruption caused by COVID-19. Production during the fourth quarter of 2020 consisted of material from Beta Hunt underground, the Baloo and Fairplay North open pits and a small amount of stockpile material.

A total of 27,933 ounces of gold was sold during the fourth quarter of 2020, representing a 2% decrease over the same period in 2019. The additional ounces sold in the fourth quarter of 2020 compared to gold produced was a carry over from the third quarter of 2020 production.

For the periods ended December 31,	Three months ended 2020	2019	Years ended 2020	2019
Gold Operating Results				
Tonnes milled (000s)	**331**	321	**1,325**	755
Milled grade (g/t)	**2.52**	2.60	**2.33**	2.65
Gold produced (ounces)	**25,637**	26,874	**99,249**	64,277
Gold sales (ounces)	**27,933**	28,359	**98,656**	65,225
Cash operating cost (US $/oz sold) [1]	**$843**	$929	**$925**	$1,004
All-in sustaining cost (AISC) (US $/oz sold) [1]	**$912**	$1,131	**$1,026**	$1,155

1. Non-IFRS: the definition and reconciliation of these measures are included in the Non-IFRS Measures section 17 of this MD&A.

Beta Hunt Mine

Throughout 2020, 745kt of material was milled at an average grade of 2.77 g/t to produce 66,479 ounces of gold, a 76% increase from the period ended December 31, 2019. The timing and planning of stope production centres was the reason for the difference. Milled grades were 11% lower compared to the year ended December 31, 2019. Gold ounces of 65,838 were sold during 2020.

In the fourth quarter of 2020, 182kt of material was milled at an average grade of 3.13 g/t to produce 16,965 ounces of gold, a 4% increase from the fourth quarter of 2019. The timing and planning of stope production centres was the reason for the slight difference. Milled grades were 18% lower compared to the fourth quarter of 2019, but 14% higher than the third quarter of 2020. Gold ounces of 18,234 were sold during the fourth quarter of 2020.

For the periods ended December 31,	Three months ended, 2020	2019	Years ended, 2020	2019
Beta Hunt Gold Operating Results				
Tonnes milled (000s)	**182**	133	**745**	475
Milled grade (g/t)	**3.13**	3.81	**2.77**	3.11
Gold produced (ounces)	**16,965**	16,290	**66,479**	47,642
Gold sold (ounces)	**18,234**	17,561	**65,838**	48,716
Cash operating cost (US $/oz sold) [1]	**$836**	$773	**$943**	$958

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

For the year ended December 31, 2020 the Higginsville Gold Operation milled 1,325kt of material, which included 580kt of HGO material that produced 32,770 ounces at an average grade of 1.90 g/t Au.

The Higginsville Gold Operation milled 331kt of material, which included 149kt of HGO material that produced 8,672 ounces at an average grade of 1.95 g/t Au for the three months ended December 31, 2020. Open pit mining concentrated on pre development stripping resulting in a 18% decrease in gold produced for the fourth quarter compared to the fourth quarter of 2019. With mining of Fairplay North open pit ceasing in December 2020 and the Baloo 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 December 31,	Three months ended, 2020	2019	Years ended, 2020	2019
Higginsville Gold Operating Results				
Tonnes milled (000s)	**149**	188	**580**	280
Milled grade (g/t)	**1.95**	1.75	**1.90**	1.85
Gold produced (ounces)	**8,672**	10,584	**32,770**	16,635
Gold sold (ounces)	**9,698**	10,798	**32,818**	16,509
Cash operating cost (US $/oz sold) [1]	**$858**	$1,182	**$886**	$1,136

1. Non-IFRS: the definition and reconciliation of these measures are included in the Non-IFRS Measures section of this MD&A.
2. HGO was acquired on June 10, 2019 and prior acquisition no comparative figures are available.

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. Related Party Transactions

The following table reflects the remuneration of key management, which consists of the Corporation's directors and executive officers, and other related party transactions:

For the years ended December 31,	2020	2019
Cash compensation - salaries, short term incentives and other benefits	**$3,091**	$2,792
Long-term incentives - share based payments	**8,647**	2,200
Termination benefits	**401**	275
	$12,139	$5,267

Refer to note 21 of the 2020 audited consolidated financial statements for a description of management salaries and benefits.

9. CONTRACTUAL COMMITMENTS

As at December 31, 2020	Payments by period						
	1 Year	2 Years	3 Years	4 Years	5 Years	After 5 Years	Total
Accounts payable and accrued liabilities	$38,523	$-	$-	$-	$-	$-	$38,523
Long-term debt obligations	3,208	33,208	-	-	-	-	36,416
Lease obligation	1,856	1,629	625	-	-	-	4,110
Interest on long-term debt	3,000	1,405	-	-	-	-	4,405
Derivative liabilities	3,067	3,120	3,188	3,258	3,331	18,680	34,644
	$49,654	$39,362	$3,813	$3,258	$3,331	$18,680	$118,098

Existing royalty obligations at Beta Hunt are (i) Consolidated Minerals, 3.0% of payable nickel at a nickel price under AU$17,500/t or 5.0% at a nickel price of AU$17,500 or greater until total royalty payments reach AU$16.0 million; (ii) Western Australian state government, 2.5% of recovered gold and nickel; and (iii) Maverix Metals Inc., 1.5% of payable nickel less allowable deductions, 4.75% of recovered gold.

As part of the December 19, 2019, restructured Morgan Stanley royalty the new structure provides for (i) an adjusted legacy royalty rate on the first 2,500 ounces sold per quarter to a cumulative total of 110,000 ounces ("Legacy Ounces"), and (ii) a flat 2.0% NSR on ounces sold in excess of 2,500 per quarter that will become payable after the first 37,500 ounces are sold from HGO production. There are certain conditions relating to the maintenance of reserves equivalent to the remaining Legacy Ounces. If the Legacy Ounces are not sold within 15 years, the adjusted legacy rate will apply to subsequent ounces.

10. OFF-BALANCE SHEET ARRANGEMENTS

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

11. 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.

12. SUBSEQUENT EVENTS

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

13. 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 March 18, 2021, the Corporation had 146,056,347common shares issued and outstanding and had the following securities outstanding, which are exercisable for common shares:

	Number of Securities
Stock options	4,352,534
Warrants (23,272,686 convertible into)	5,171,708

As at March 18, 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	289,998
Restricted share units	1,785,915
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.

14. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Many of the amounts included in the consolidated financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated financial statements.

Areas of significant judgment and estimates affecting the amounts recognized in the consolidated financial statements include:

(i) Establishment of technical feasibility and commercial viability of a mineral property

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors. By its nature, this assessment requires significant judgment.

The Corporation uses judgment in application of reserves and resources and other information to assess the basis for units to be applied in units-of-production which include the determination of value beyond proven and probable reserves. Changes in reserves and resources could impact depreciation and amortisation rates and asset carrying values.

(ii) Impairment of property, plant and equipment and mineral property interests

The recoverability of amounts shown for property, plant and equipment and mineral property interests is dependent upon several factors including, but not limited to, completion of the acquisition of the mineral property interests, the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mineral claims, obtaining the necessary development permits, the ability of the Corporation to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material impairment of the carrying values of property, plant and equipment and mineral property interests.

Property, plant and equipment and mineral property interests are reviewed for impairment if there are indicators that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine whether impairment exists and the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the cash generating unit ("**CGU**") to which the asset belongs. The recoverable amount of an asset or CGU is determined as the higher of its fair value less cost of disposal ("**FVLCD**") and its value in use ("**VIU**"). If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction is recognized immediately as an impairment loss in the consolidated statement of earnings (loss).

In assessing fair value less cost of disposal, the estimated future cash flows are discounted to their present value, using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

When impairment reversal indicators relating to previously impaired assets exist, an impairment reversal assessment is conducted at the level of the asset or CGU. An impairment reversal is recognized if the recoverable amount of the asset or CGU exceeds the carrying amount that would have been determined, net of depreciation, had no previous impairment charge been recognized. The impairment reversal is recognized immediately in the consolidated statement of earnings (loss). Refer to note 8 for further details regarding the impairment reversal assessment for the Beta Hunt Gold Mine cash generating unit.

The estimate of recoverable amounts with respect to non-financial assets is based on numerous assumptions and may differ significantly from actual recoverable amounts. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Corporation's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The recoverable amount estimates may differ from actual recoverable amounts, and these differences may be significant and could have a material impact on the Corporation's financial position and results of operations.

(iii) Impairment of exploration & evaluation assets

Exploration and evaluation assets are reviewed for an indication of impairment at each statement of financial position date or when a triggering event is identified. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, an expiry of the right to explore in the specific area during the period or in the near future, and which is not expected to be renewed; substantive exploration and evaluation expenditures in a specific area are neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Corporation has decided to discontinue such activities in the specific area; sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale; significant negative industry or economic trends; interruptions in exploration and evaluation activities; and a significant drop in current or forecasted metal prices.

(iv) Derivative financial instruments

Derivatives are measured at fair value through profit and loss and their fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the consolidated statement of comprehensive earnings (loss). To estimate the fair value of the derivatives at the inception date and again at the statement of financial position date, derivative valuation models are used.

(v) Provision for restoration, rehabilitation and environmental obligations

The Corporation's exploration activities are subject to various laws and regulations governing the protection of the environment. The Corporation recognizes management's best estimate for restoration, rehabilitation and environmental obligations in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, timing of estimated cash flows and discount rates could affect the carrying amount of this provision.

(vi) Income taxes

The Corporation is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Periodically, judgment is required in determining whether deferred tax assets are recognized on the consolidated statements of financial position. Deferred tax assets, including those arising from unused tax losses, require management to assess the probability that the Corporation will generate taxable profits in future periods, in order to utilize deferred tax assets. Once the evaluation is completed, if the Corporation believes that it is probable that some portion of deferred tax assets will fail to be realized, the deferred tax asset is derecognized. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Corporation operates could limit its ability to obtain tax deductions in future periods.

Management judgment is required in determining whether a deferred tax liability is recognized on temporary differences arising on investments in subsidiaries. Judgment is necessary in asserting management's intentions about the reinvestment of undistributed profit in the foreseeable future. Estimates on reinvestments are based on forecasts and on estimates of financial requirements of both the Corporation and its subsidiaries. To the extent that future results and financial requirements differ significantly from estimates, the deferred tax liability provided on temporary differences arising from investments in subsidiaries recorded at the reporting date could be impacted.

15. 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.

Management with the participation of the CEO and the CFO, assessed the effectiveness of our ICFR as at December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (COSO 2013). Based upon the results of that assessment and the material weakness in internal controls outlined below, management concluded that our ICFR is effective as at December 31, 2020.

A material weakness is a deficiency, or a combination of deficiencies, in ICFR, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. During the 2019 year-end process, a material weakness was identified in the design of controls relating to the classification of expenditures and amortization of capitalized expenses. Specifically, a review of expenditures identified a misclassification of expenditures as operating costs rather than as a capitalized expenditure and that amortization expense was understated in quarters previously reported in 2019. In the opinion of management, this represented a material weakness in the Corporation's ICFR. This material weakness resulted in an overstatement of expenses and understatement of capitalized expenditures as well as an understatement of amortization expense and overstatement of capitalized expenditures in the consolidated financial statements as at and for the quarters ended March 31, 2019, June 30, 2019 and September 30, 2019, which was corrected prior to the issuance of the December 31, 2019 consolidated financial statements. Further information is disclosed in Note 30 – Quarterly Adjustments (unaudited – supplementary information) of the consolidated financial statements for the year ended December 31, 2019.

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.

The Corporation changed its process to remediate the necessary controls related to the classification of expenditures and amortization of capitalized expenditures for the year ended December 31, 2020 to address the material weakness identified in 2019, as noted above. The Corporation has implemented a more robust review in relation to the classification of expenditures and amortization of capitalized expenditures at each reporting period. Management believes that the remediation efforts have been effective and that the previously identified material weakness in the Corporation's internal control over financial reporting has been remediated.

Except for the remediation efforts described above, there were no other changes in internal controls of the Corporation during the year ended December 31, 2020 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 December 31, 2020. 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 (particularly during the period in which the Company's annual filings are being prepared) 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.

16. RISK FACTORS

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework and reviews the Corporation's policies on an ongoing basis. Readers are encouraged to read and consider the "Cautionary Statement" section of this MD&A and the "Risk Factors" described in the Corporation's Annual Information Form for the year ended December 31, 2020. The risk factors could materially impact future operating results of the Corporation and cause events to differ materially from those described in forward-looking information of the Corporation.

17. 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 December 31,	Three months ended, **2020**	2019	Years ended, **2020**	2019
Production and processing costs	$34,361	$34,821	$135,060	$91,600
Royalty expense: Government of Western Australia	1,738	1,168	5,541	2,667
Royalty expense: Other	2,635	2,768	11,266	7,138
By-product credits	(1,466)	(787)	(3,671)	(1,959)
Adjustment [1]	(6,574)	(3,197)	(26,180)	(12,764)
Operating costs (C$)	$30,694	$34,773	$122,016	$86,682
General and administration expense – Australia [2,3]	1,954	1,133	6,084	2,636
Sustaining capital expenditures	549	6,443	7,247	10,353
All-in sustaining costs (C$)	$33,197	$42,349	$135,347	$99,671
Average exchange rate (C$1 – US$1)	0.77	0.76	0.76	0.75
Operating costs (US$)	**$23,556**	**$26,344**	**$91,272**	**$65,477**
All-in sustaining costs (US$)	**$25,477**	**$32,083**	**$101,204**	**$75,304**
Operating costs (A$)	$32,231	$38,551	$132,145	$94,985
All-in sustaining costs (A$)	$34,859	$46,949	$146,709	$109,286
Ounces of gold sold	27,932	28,359	98,655	65,225
Cash operating costs (per ounce sold) (US$)	**$843**	**$929**	**$925**	**$1,004**
All-in sustaining cost (per ounce sold) (US$)	**$912**	**$1,131**	**$1,026**	**$1,155**
Cash operating costs (per ounce sold) (A$)	**$1,154**	**$1,359**	**$1,339**	**$1,456**
All-in sustaining cost (per ounce sold) (A$)	**$1,248**	**$1,656**	**$1,487**	**$1,676**

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 December 31,	Three months ended, **2020**	2019	Years ended, **2020**	2019
Production and processing costs	$17,878	$15,367	$73,236	$54,920
Royalty expense: Government of Western Australia	1,190	824	3,927	2,221
Royalty expense: Other	2,253	2,518	9,531	6,731
By-product credits	(1,466)	(787)	(3,577)	(1,959)
Operating costs (C$)	$19,855	$17,922	$83,117	$61,913
Average exchange rate (C$1 – US$1)	0.77	0.76	0.75	0.75
Operating costs (US$)	**$15,238**	**$13,578**	**$62,117**	**$46,661**
Operating costs (A$)	**$20,848**	**$19,869**	**$90,072**	**$67,671**
Ounces of gold sold	18,234	17,561	65,838	48,716
Cash operating costs (per ounce sold) (US$)	**$836**	**$773**	**$943**	**$958**
Cash operating costs (per ounce sold) (A$)	**$1,143**	**$1,131**	**$1,368**	**$1,470**

Higginsville Mine (gold)

For the periods ended December 31,	Three months ended, **2020**	2019[2]	Years ended, **2020**	2019[2]
Production and processing costs	$16,483	$19,454	$61,824	$36,680
Royalty expense: Government of Western Australia	548	344	1,614	446
Royalty expense: Other	382	250	1,735	407
By-product credits	-	-	(94)	-
Adjustment[1]	(6,574)	(3,197)	(26,180)	(12,764)
Operating costs (C$)	10,839	$16,851	$38,898	$24,769
Average exchange rate (C$1 – US$1)	0.77	0.76	0.75	0.75
Operating cost (US$)	**$8,318**	**$12,766**	**$29,092**	**$18,754**
Operating cost (A$)	**$11,383**	**$18,682**	**$42,073**	**$27,314**
Ounces of gold sold	9,698	10,798	32,817	16,509
Cash operating costs (per ounce sold) (US$)	**$858**	**$1,182**	**$886**	**$1,136**
Cash operating costs (per ounce sold) (A$)	**$1,174**	**$1,730**	**$1,282**	**$1,654**

1. Negative adjustment for intercompany tolling transactions

Quarterly Consolidated Australian Mining Operations

For the three months ended,	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020
Production and processing costs	$34,820	$33,534	$32,210	$34,955	$34,361
Royalty expense: Government of Western	1,168	1,229	1,407	1,167	1,738
Royalty expense: Other	2,768	3,109	3,707	1,816	2,635
By-product credits	(787)	-	(861)	(1,344)	(1,466)
Adjustment[1]	(3,197)	(6,248)	(6,435)	(6,923)	(6,574)
Operating costs (C$)	$34,772	$31,624	$30,028	$29,671	$30,694
General and administration expense – Australia[3]	1,133	921	2,007	1,202	1,954
Sustaining capital expenditures	6,443	3,545	2,166	985	549
All-in sustaining costs ($)	$42,348	$36,091	$34,201	$31,858	$33,197
Average exchange rate (C$1 – US$1)	0.76	0.75	0.75	0.75	0.77
Operating costs (US$)	**$26,344**	**$23,767**	**$21,675**	**$22,274**	**$23,556**
All-in sustaining costs (US$)	**$32,083**	**$27,123**	**$24,688**	**$23,916**	**$25,477**
Operating costs (A$)	**$38,551**	**$35,813**	**$32,960**	**$31,140**	**$32,231**
All-in sustaining costs (A$)	**$46,949**	**$40,872**	**$37,541**	**$33,436**	**$34,859**
Ounces of gold sold	28,359	24,626	23,185	22,912	27,932
Cash operating costs (per ounce sold) (US$)	**$929**	**$965**	**$935**	**$972**	**$843**
All-in sustaining cost (per ounce sold) (US$)	**$1,131**	**$1,101**	**$1,065**	**$1,044**	**$912**
Cash operating costs (per ounce sold) (A$)[2]	**$1,359**	**$1,454**	**$1,422**	**$1,359**	**$1,154**
All-in sustaining cost (per ounce sold) (A$)[2]	**$1,656**	**$1,660**	**$1,619**	**$1,459**	**$1,248**

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; and foreign exchange loss.

(in thousands of dollars except per share amounts)	Three months ended		Year ended	
For the periods ended December 31,	**2020**	2019 [1]	**2020**	2019 [1]
Net earnings (loss) for the period - as reported	**$42,906**	$10,465	**$88,130**	$(6,942)
Finance expense, net	**1,599**	1,198	**4,618**	2,896
Income tax expense (recovery)	**(16,107)**	(699)	**7,003**	(774)
Depreciation and amortization	**9,025**	4,230	**23,733**	9,287
Net impairment charge [2]	**-**	2,271	**6,006**	2,271
Impairment reversal [2]	**-**	-	**(36,087)**	-
EBITDA	**37,423**	17,465	**93,403**	6,738
Adjustments:				
Non-cash share-based payments [2]	**1,310**	922	**9,374**	(574)
Share of loss of associates [2]	**-**	175	**425**	729
Unrealized (gain) loss on revaluation of marketable securities [3]	**(65)**	34	**(1,437)**	113
Other expense (income), net [2]	**(130)**	(239)	**(524)**	98
Foreign exchange loss (gain) [4]	**(4,653)**	(2,248)	**(11,455)**	6,247
Adjusted EBITDA	**$33,885**	$16,109	**$89,786**	$13,351
Weighted average number of common shares - basic	**145,307,415**	134,830,325	**139,759,510**	119,244,912
Adjusted EBITDA per share - basic	**$0.23**	$0.12	**$0.64**	$0.11

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

18. 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.