MANAGEMENT'S DISCUSSION AND ANALYSIS

Three and Six Months Ended June 30, 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 three and six months ended June 30, 2020 and 2019. This MD&A should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements and related notes for the three and six months ended June 30, 2020 and 2019, which are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as applicable to the presentation of interim financial statements including International Accounting Standard ("**IAS**") 34, Interim Financial Reporting, as well as other reports filed on SEDAR. The unaudited condensed interim consolidated financial statements should also be read in conjunction with the audited consolidated financial statements and the related notes for the year ended December 31, 2019, together with the notes thereto which have also been prepared in accordance with IFRS. This MD&A contains certain forward-looking statements and reference should be made to the cautionary language at the end of this MD&A.

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

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

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

Dollar amounts are reported in Canadian dollars, unless otherwise noted. Information contained herein is presented as at August 10, 2020 unless otherwise indicated.

The technical and scientific information contained in this MD&A related to Beta Hunt and HGO has been reviewed and approved by Steve Devlin, Vice-President, Exploration & Growth, Salt Lake Mining Pty Ltd, a 100% owned subsidiary of Karora, and a qualified person for the purposes of National Instrument 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 ("**Beta Hunt**") and the Higginsville Gold Operations ("**HGO**"), both located in Western Australia. Beta Hunt and HGO are held through Karora Resources Pty Ltd ("**KRA**"), a 100% owned subsidiary of Karora.

Beta Hunt is a gold producing operation that has 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 included a 1.4 million tonnes per annum ("**Mtpa**") gold treatment plant, a large historical resource inventory and a substantial portfolio of gold tenements, including the Baloo open pit mine that was brought into production in August 2019. With the integration of the Beta Hunt and Higginsville

Operations now well in hand, Karora is now focused on growing the business via sustainable organic production growth and further accretive acquisitions of properties and/or precious metals companies.

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 three and six months ended June 30, 2020 and 2019 is shown below.

(in thousands of dollars except per share amounts)	Three months ended,		Six months ended,	
For the periods ended June 30,	**2020**	2019	**2020**	2019
Revenue	**$56,100**	$17,249	**$110,382**	$28,112
Production and processing costs	**25,775**	14,044	**53,061**	20,542
Earnings (loss) before income taxes	**17,242**	(14,348)	**18,126**	(15,925)
Net earnings (loss)	**9,818**	(14,452)	**10,357**	(16,029)
Net earnings (loss) per share - basic	**0.07**	(0.13)	**0.08**	(0.15)
Net earnings (loss) per share - diluted	**0.07**	(0.13)	**0.07**	(0.15)
Adjusted EBITDA [1,2]	**17,348**	(6,613)	**30,929**	(6,779)
Adjusted EBITDA per share - basic [1,2]	**0.13**	(0.06)	**0.23**	(0.06)
Adjusted earnings (loss) [1]	**16,579**	(7,033)	**29,179**	(7,406)
Adjusted earnings (loss) per share - basic [1]	**0.12**	(0.06)	**0.22**	(0.07)
Cash flow provided by (used in) operating activities	**21,822**	(4,255)	**33,298**	(8,014)
Cash investment in property, plant and equipment and mineral property interests	**(10,523)**	(5,651)	**(18,225)**	(13,394)

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

	Three months ended,		Six months ended,	
For the periods ended June 30,	**2020**	2019	**2020**	2019
Gold Operations (Consolidated)				
Tonnes milled (000s)	**326**	89	**640**	139
Recoveries	**92%**	93%	**93%**	93%
Gold milled, grade (g/t Au)	**2.26**	3.32	**2.30**	3.17
Gold produced (ounces)	**24,078**	8,418	**48,895**	13,196
Gold sold (ounces)	**23,185**	8,482	**47,811**	14,857
Average realized price (US $/ounce sold)	**$1,609**	$1,335	**$1,549**	$1,310
Cash operating costs (US $/ounce sold)[1]	**$935**	$1,264	**$950**	$1,107
All-in sustaining cost (AISC) (US $/ounce sold)[1]	**$1,065**	$1,316	**$1,084**	$1,193
Gold (Beta Hunt Mine)[1]				
Tonnes milled (000s)	**186**	82	**372**	132
Gold milled, grade (g/t Au)	**2.64**	3.32	**2.61**	3.17
Gold produced(ounces)	**16,818**	8,114	**33,988**	12,892
Gold sold (ounces)	**16,024**	8,187	**33,102**	14,562
Cash operating cost (US $/ounce sold)[1]	**$982**	$1,026	**$963**	$970
Gold (HGO Mine)				
Tonnes milled (000s)	**140**	7	**268**	7
Gold milled grade (g/t Au)	**1.75**	1.38	**1.87**	1.38
Gold produced (ounces)	**7,260**	304	**14,907**	304
Gold sold (ounces)	**7,161**	295	**14,709**	295
Cash operating cost (US $/ounce sold)[1]	**$829**	N/A[2]	**$923**	N/A[2]

1. Non-IFRS: the definition and reconciliation of these measures are included in the Non-IFRS Measures section 14 of this MD&A.
2. Cash operating costs were excluded from the table as insufficient data for the stub period was available.

Recent Highlights

- Second quarter 2020 consolidated gold production of 24,078 ounces, 2020 gold production guidance of 90,000 to 95,000 ounces is maintained (assuming no significant interruption in operations as a result of the COVID-19 virus).
- Second quarter 2020 consolidated all-in-sustaining-costs ("**AISC**")[1] of US$1,065 per ounce. was at the lower end of the 2020 guidance, US$1,050-$1,200 per ounce. The Corporation continues to target AISC costs of approximately US $1,000 per ounce by the end of 2020.
- Net earnings of $9.8 million, or 0.07 per share for the second quarter of 2020, up $9.3 million from $0.5 million in the first quarter of 2020.
- Adjusted earnings[1] of $16.6 million, or $0.12 per share for the second quarter of 2020, up $4.0 million from $12.6 million in the first quarter of 2020.
- Adjusted Earnings before interest, taxes, depreciation and amortization ("**EBITDA**")[1] was $17.3 million or $0.13 per share for the second quarter of 2020, up $3.7 million from $13.6 million in the first quarter of 2020.
- Strengthened cash position and balance sheet: Karora ended the second quarter of 2020 with a strong cash position of $50.2 million, and working capital of $43.8 million, improvements of $11.8 million and $13.1 million respectively from March 31, 2020.
- Fully leveraged to gold price: Gold hedge agreements were concluded during the second quarter. Karora gold sales are fully exposed to market gold prices.
- Spargos Reward acquisition: Subject to the results of due diligence study the acquisition of the Spargos Reward high-grade open pit gold Project in Western Australia is expected to be completed in August, 2020.
- Royalty reductions: Eliminated the Morgan Stanley Capital Group Inc. ("**Morgan Stanley**") NSR ("**Net smelter royalty**") gold royalty on the Higginsville properties and have reached an agreement to reduce the Beta Hunt gold royalty by 2.75% (subject to certain conditions precedent). The 110,000 ounce participation payment arrangement with Morgan Stanley will remain in place.
- Eric Sprott share investment: In connection with the agreement to reduce the Beta Hunt gold royalty, Eric Sprott increased his ownership in Karora by 26 million shares and, along with an additional institutional investor, effectively took up the entire planned share issuance announced June 30, 2020 as part of the agreement with Maverix Metals to reduce the Beta Hunt gold royalty.
- Sale of remaining interest in Dumont Nickel Project: on July 27, 2020, Karora closed the sale of its 28% interest in the Dumont Nickel Project for proceeds of up to $47.6 million. Karora immediately received $10.7 million in cash, comprised 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 $40.2 million.
- 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 point five (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, have been proportionately adjusted.
- On July 30, 2020, Karora announced that the Corporation had agreed to sell, directly and through a wholly-owned subsidiary, 11.3 million common shares ("Shares") of Orford Mining Corporation at a price of $0.09 per share for an aggregate consideration of $1.0 million.

Karora continued the trend of strong operational performance since the acquisition of the Higginsville mill and mines in June 2019. Gold production for the second quarter 2020 of 24,078 ounces and AISC[1] of US$1,065 per ounce sold, were once again well within guidance expectations, despite ongoing challenges associated with the COVID-19 pandemic. The strong production and cost performance is a result of the Corporation's proactive approach to operational preparedness which has resulted in consistent production and continued cost reductions over the last three quarters, despite significant challenges. While there has been some relief from the impact of the Covid-19 pandemic, management continually monitors developments in order to be in a position to take appropriate actions as and when needed. Actions taken to date include the decision to maintain a higher level of Run of mine ("**ROM**") stockpiles, rigorous testing and management of personnel entering and departing the mine site, increasing stock levels of key consumables, the use of charter flights where possible and the services of a full time experienced nurse.

The strong operational performance for the quarter generated a Net earnings and adjusted EBITDA[1] of $9.8 million and $17.3 million, respectively or $0.07 and $0.13 per share. The Corporation continued to deliver into its gold hedge program associated with the acquisition of the Higginsville Operations. The net result was $3.5 million cash loss on settlement of these derivatives. As of June 30, 2020, the Corporation had zero ounces remaining in the hedge program. Net of the hedge payments, Karora reported an improved cash balance of $50.2 million as of June 30, 2020 and an increase of $11.8 million compared to March 31, 2020. Working capital was $43.8 million as of June 30, 2020, an improvement of $13.1 million compared to working capital of $30.7 million as at March 31, 2020.

Following the strong first half of the year, Karora is maintaining its consolidated production and cost guidance for its Australian operations (Beta Hunt and HGO) of 90,000 to 95,000 ounces of gold at an average AISC[1] of US$1,050 to US$1,200 per ounce. Karora continues to target an AISC costs of approximately US$1,000 per ounce by the end of 2020.

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

A Growing HGO Project Pipeline and Exploration

During the second quarter, resource, infill and extensional drilling at the current Baloo and Fairplay North open pit operations continued to support ongoing mining activities of both pits. Grade control drilling has also commenced at the Hidden Secret open pit, to be closely followed at Mousehollow. Mining of these pits is expected to commence in the third quarter of 2020 with all necessary approvals now in place. Both pits are within 10 kilometres of the HGO treatment plant.

Resource definition drilling at the Pioneer deposit continues with the aim of advancing the project to mine-ready as part of Higginsville pipeline of open pit projects. The HGO production pipeline strategy is to attempt to maintain a minimum of two open pits operating in tandem at any time, to ensure flexibility with ore production and fully optimise the feed blend into the HGO plant.

The Eundynie area which surrounds the Hidden Secret and Mousehollow pits has been identified as having significant exploration potential with particular interest around the old historic Eundynie mining centre located only 500 metres north of the planned pits. Last known mining at Eundynie occurred in 1915 with records showing multiple historic shafts, some extending to depths of up to 120 metres and grades as high as 210 g/t over approximately 0.9 metres. The Exploration potential below these workings is yet to be tested and could provide an opportunity for additional high grade mineralization. Drilling is planned for later in the year.

Following the renegotiation of the Morgan Stanley royalty announced on December 19, 2019, Karora has implemented an aggressive exploration program at Higginsville. Given the number of exploration targets now available within the HGO tenements, work is underway to ensure target definition is focused on initially extending the Life-of-Mine ("LOM") production mining centres and major greenfield exploration targets.

3. OPERATIONAL OVERVIEW, PROJECT UPDATES AND NEW DEVELOPMENTS

HGO Milling Update

At HGO, the operation and cost per tonne milled continues to improve. Milling operations had a third consecutive quarter of improved milling performance with costs decreasing to $21/tonne compared to $27/tonne in the first quarter of 2020. This is despite wet and clayey oxide ore from Fairplay North causing throughput issues during the quarter. To overcome this issue, a number of mitigation methods have been put in place. These include the addition of a temporary screening plant which allows the fines to bypass the crushing circuit thus partially eliminating constant blockage situations.

For the second quarter, the HGO mill feed was approximately 60% Beta Hunt and approximately 40% at HGO open pits. Longer term, the aim is a mill feed ratio of approximately 50:50, Beta Hunt to HGO, which will assist in fully optimizing the HGO plant.

HGO includes a 367,000 ounce historical reserve (5,945 kt @ 1.9 g/t Au) within a 1.2 million ounce historical measured and indicated gold resource (18,790 kt @ 2.0 g/t Au), along with a further 0.7 million ounce historical inferred resource (10,634 kt @ 2.0 g/t Au), all located on a 1,800 square kilometre land position in the Kalgoorlie gold region[1] .

Higginsville Gold Operations Overview

The HGO operations are located along the highly prospective 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 onces produced) and Norseman (6.0M gold ounces produced). The HGO tenement package is situated close to St. Ives and Norseman and totals approximately 1,800 square kilometres (combined mining and exploration tenements). The area has a strong history of gold mining commencing in the late 1800s, more recently by Avoca Mining and Westgold. The HGO processing treatment plant was constructed in 2009 to treat the underground Trident deposit (1.0M gold ounces produced), then followed by a wide range of open pits and in recent years, the toll treatment of third-party material.

As previously mentioned, the acquisition of the Morgan Stanley NSR has opened the door for Karora to re-evaluate and unlock a large number of known resources previously negatively impacted by the onerous royalty. Importantly, these targets are all located within trucking distance of the HGO mill, near surface and have low cost open pit mining potential.

[1]The historical reserve information above is extracted from the report entitled '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). Mineral resources are quoted inclusive of ore reserves. Karora confirms that the form and context in which the competent person's findings are presented have not been materially modified from the original market announcement. A qualified person has not done sufficient work on behalf of Karora to classify the historical estimate noted as current mineral resources or mineral reserves and Karora is not treating the historical estimates as current mineral resources or mineral reserves.

Higginsville Royalty Elimination

On May 11, 2020 the Corporation announced it had reached an agreement with Morgan Stanley to acquire the remaining 1.75% NSR royalty for US$9 million in cash which covers a large number of tenements at Karora's Higginsville Gold Operations. This transaction removed the remaining NSR royalty obligations in respect of the affected tenements, with the exception of the Western Australia state royalty of 2.5%.

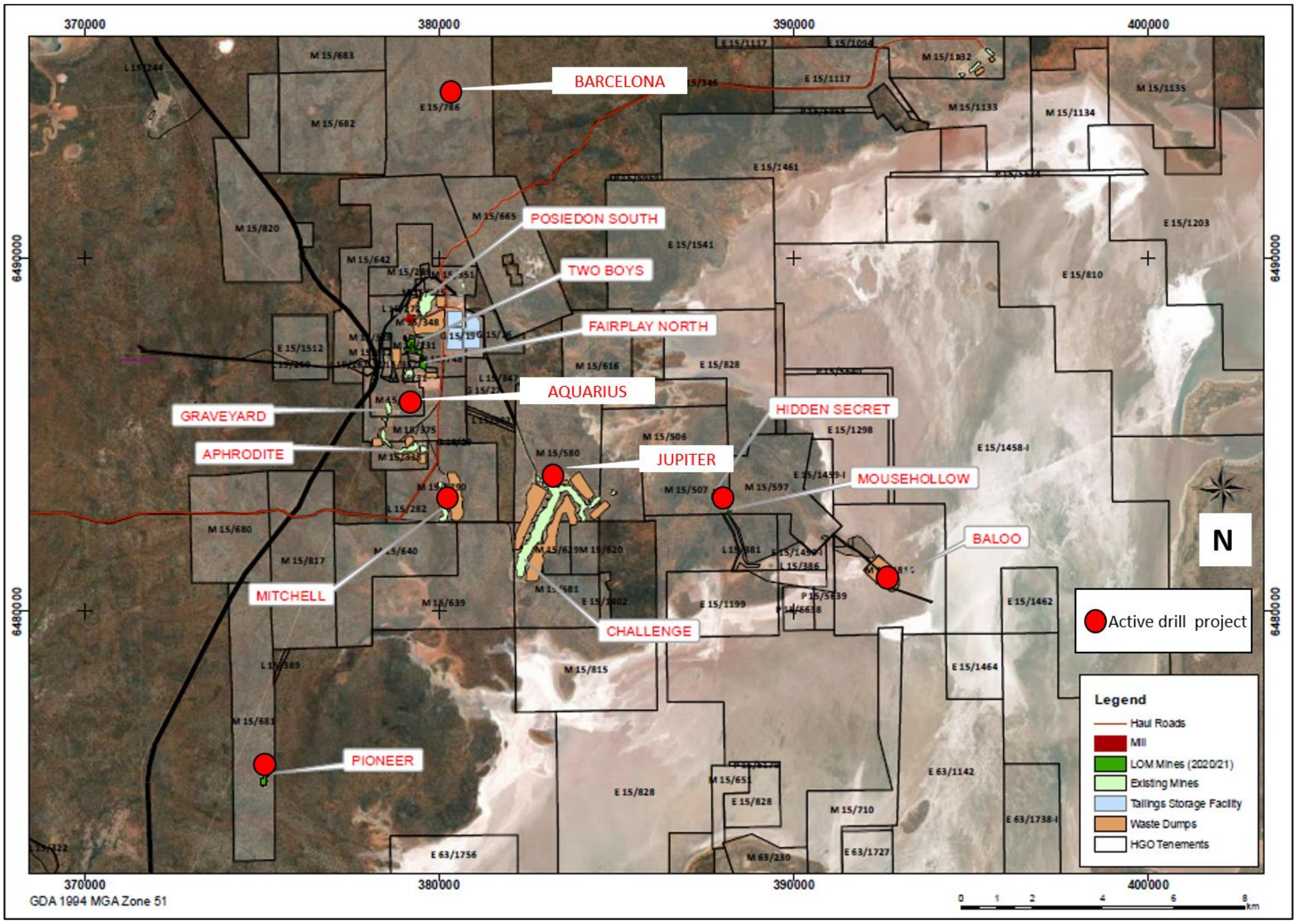
The current 110,000 ounce participation payment arrangement with Morgan Stanley remains in place (see Karora news release dated December 19, 2019).

Higginsville Exploration Update

Figure 1 below shows some of the areas where Karora is either actively advancing or evaluating high-priority exploration targets at HGO. In addition to ongoing exploration at Baloo and Fairplay North, a number of tenements covered under the renegotiated Morgan Stanley royalty are now considered high priority. These areas include Aquarius, Hidden Secret, Mousehollow, Pioneer, the Two Boys extension, and the Paleochannel extensions.

Given the large number of exploration brown field and greenfield targets within close proximity of the HGO plant, the company is considering options to fast track exploration. A review to re-prioritize exploration targets is currently underway.

Figure 1: Plan view of active HGO mines and exploration projects



Baloo

Production from Baloo continued throughout the second quarter with mining now at the 226 RL north end and 228 RL south. Recent grade control drilling has intersected additional high grade +2g/t material at depth leading to a re-optimization of the entire pit. On May 19, 2020, the Corporation announced that six reverse circulation ("**RC**") resource definition holes totalling 262 metres were completed with the aim of extending the high grade mineralization at the southern end of the pit design.

Some of the highlights are listed below: [1,2]

BLOR0044; 5.5 g/t over 3.0 m from 21 m
BLOR0048: 7.3 g/t over 2.0 m from 16 m

The re-optimization should deliver further mineable ounces to the Baloo resource inventory. The result of this work is expected during the third quarter of 2020.

Despite a number of rain events and increased ground water inflows into the Baloo pit, management continues to perform exceptionally well by effectively managing the dewatering activities whilst limiting the impact on productivity.

1.Estimated true thickness.
2.Previously reported in Karora news release dated May, 20, 2020.

Fairplay North

Located 1 km from the mill, the Fairplay North open pit commenced mining in the fourth quarter of 2019 and is being mined concurrently with Baloo to ensure optimal feed blend to the HGO mill. Mining is progressing ahead of schedule which is contributing to a significant level of ROM stocks as part of the Corporation's strategy to build stockpiles ahead of any potential operational disruptions due to COVID-19.

The Fairplay North pit is being mined in two stages to optimize mining activities with final production originally expected to be completed by the end of the third quarter 2020, however recent drilling has raised the potential for this to be extended.

Aquarius Project

The Aquarius project remains one of the Corporation's main targets for the 2020 exploration program. Three RC holes and two diamond tails were drilled to test an east-west structure interpreted as cross cutting the main Aquarius lode. All three holes intersected quartz veining in the targeted positions. Results are pending.

Further drilling is planned for the second half of 2020 with a focus on upgrading and expanding the existing historical resource[1,2] - 20kt @ 19.5g/t (Measured and indicated) and 43kt @ 4.2g/t (Inferred).

[1] See technical report dated February 6, 2020 under Karora Resources Inc's. profile at sedar.com
[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)

Hidden Secret and Mousehollow

As announced on February 27, 2020, Karora drilling has extended mineralization at the Hidden Secret (HDS) and Mousehollow (MOH) projects, both of which form part of Karora's near-term mine plan. Work has been completed ahead of schedule resulting in the planned commencement of mining activities as early as the third quarter of 2020. Additional metallurgical test work has been received confirming recoveries in excess of 90%.

An updated mineral resource estimate for the Mousehollow and Hidden Secret deposit is expected to be delivered in the fourth quarter of 2020.

Pioneer

As announced on May 19, 2020, Karora commenced drilling at Pioneer late last year with the aim of upgrading and increasing the Historical Mineral Resource. The work involved a two-stage reverse circulation ("RC") drill program totalling 86 drill holes for 7,953 metres. Results from the 2019 - 2020 drilling have extended the mineralization along strike to the south and down dip and identified a shallow, south plunging high-grade shoot. Further drilling is planned through the second half of 2020 to test continuity of the mineralization at depth and test the potential for an underground operation by drilling the interpreted high-grade shoot extensions. An updated mineral resource estimate is expected to be delivered in the fourth quarter of 2020.

Highlights[1] of gold results from the drilling are listed below:

- PORR0138: 6.7 g/t over 9 m from 57 m
- PORR0141: 2.0 g/t over 15 m from 50 m
- PORR0142: 5.4 g/t over 17 m from 67 m, including 10.7 g/t over 6 m

- PORR0143: 5.5 g/t over 7 m from 59 m
- PORR0144: 3.5 g/t over 9 m from 66 m
- PORR0145: 4.6 g/t over 8 m from 80 m
- PORR0184: 8.5 g/t over 5 m from 97 m, including 16.0 g/t over 2 m
- PORR0186: 3.9 g/t over 18 m from 60 m
- PORR0209: 2.4 g/t over 12 m from 64 m

[1] *Drillhole intervals are estimated true widths (Note: true widths approximate downhole widths).*

Mineralization at Pioneer is interpreted to dip approximately 30° towards the east and is hosted within a mafic package comprised mainly of silicified basalt with narrow, cherty interflow sediments.

Paleochannel Drilling

Stage one of paleochannel drilling (31 holes for 2,166 metres) targeting both the Jupiter primary and overlying paleochannel mineralization as well as infilling the Mitchell 3 and 4 Historical Mineral Resources has been completed. Final assay results are pending. Coarse gold known to be associated with both these drill targets requires the analysis of a large sample to provide a more representative and meaningful result than that provided from a 50g fire assay charge. Leachwell analysis which utilises a 1kg sample in order to mitigate sampling error and is a proven assay method for coarse gold analysis will be used as a check on selected samples.

Barcelona

Early stage RC and diamond drilling ("**DD**") (6 holes for 1,237 metres) on the main Burke-Barcelona shear which is located 6km north of the Higginsville treatment plant has intersected strong, basalt hosted, pyrite-pyrrhotite-arsenopyrite shears associated with gold mineralization on the southern end of the shear. Diamond hole BRCD0003 returned 4.4m at 3.5g/t from 216.0m, including 0.6m at 20.2g/t and diamond hole BRCD0002 returned 1.0m at 1.8g/t from 243m. These two holes were drilled 180m apart along strike to test for primary, shear hosted mineralization below historic, near surface, gold drill anomalies. The host mineralization style is identical to the large deposits previously mined at Higginsville. Interpretation of gravity and aeromagnetic data provide strong evidence of a significant, north-west trending, mineralized structure with potential to extend over +10km along strike. Further work is underway to test the potential of this target area.

Table 2: Karora Drillholes – Burke-Barcelona (March, 2020 to May 2020). Significant results (>1g/t Au over 1m)

Prospect	Hole	Drill Type	From (m)	To (m)	Downhole Interval (m)	Estimated True Width (m)[2]	Au (g/t)[1]
Burke-Barcelona	BBTR0001	RC	-	-	-	-	NSA
Burke-Barcelona	BBTR0002	RC	20	21	1	-	1.1
		RC	70	71	1	-	1.09
		RC	127	128	1	-	1.32
Burke-Barcelona	BBTR0003	RC	-	-	-	-	NSA
Burke-Barcelona	BBTR0004	RC	-	-	-	-	NSA
Barcelona	BRCD0002	DD	243	244	1	-	1.83
Barcelona	BCRD0003	DD	40	42	2	-	2.45
Barcelona	BRCD0003# including	DD	216	220.4	4.4	-	3.49
		DD	219	219.6	0.6	-	20.16

[1] Uncut gold assays; NSA = No significant assays
[2] True thickness cannot be estimated with available information
 # Leachwell (1kg) assay results reported. All other results are 40g fire assay results
Hole BBTR003 abandoned without reaching target depth

Regional Gravity Survey

During the second quarter, as part of Karora's Higginsville exploration strategy, a high density (200 metre X 100 metre) gravity survey was conducted over a 400km^2 area east of the central Higginsville mine area (Figure 2). The area is an extension of the Kalgoorlie Terrane that contains a number of the major regional faults with similar geology to many of the main gold deposits within the Kalgoorlie-Kambalda-Norseman area.

In summary, the gravity survey area is:

- Highly Prospective: Covers large areas of the highly prospective Zuleika and Boulder Lefroy shear zones. The Zuleika and Boulder Lefroy shear zones and associated subsidiary faults host all the deposits mined at Higginsville and the adjacent and along strike St Ives Operation to the north which has produced over 14M ounces since 1980.
- Under-explored: The bulk of the eastern margin of the Higginsville Project area is under the Lake Cowan salt lake. The impact of the salt lake on the location of historical mining at Higginsville shows a clear bias to land-based deposits compared to deposits located on salt lakes (under-cover). The high cost and drill-access difficulties have previously deterred explorers from assessing the potential for new gold deposits under the salt lake. Recent salt lake discoveries in the region include Karora's Baloo deposit (2015 – 71k ounces)[1.] and St Ives' Invincible deposit (2012 – 589kt ounces)[2] highlight the potential that exists under this terrain.

Preliminary observations from the images produced to date show significant and well-recognised structural trends associated with known economic primary mineralization plus substantial paleochannel systems.

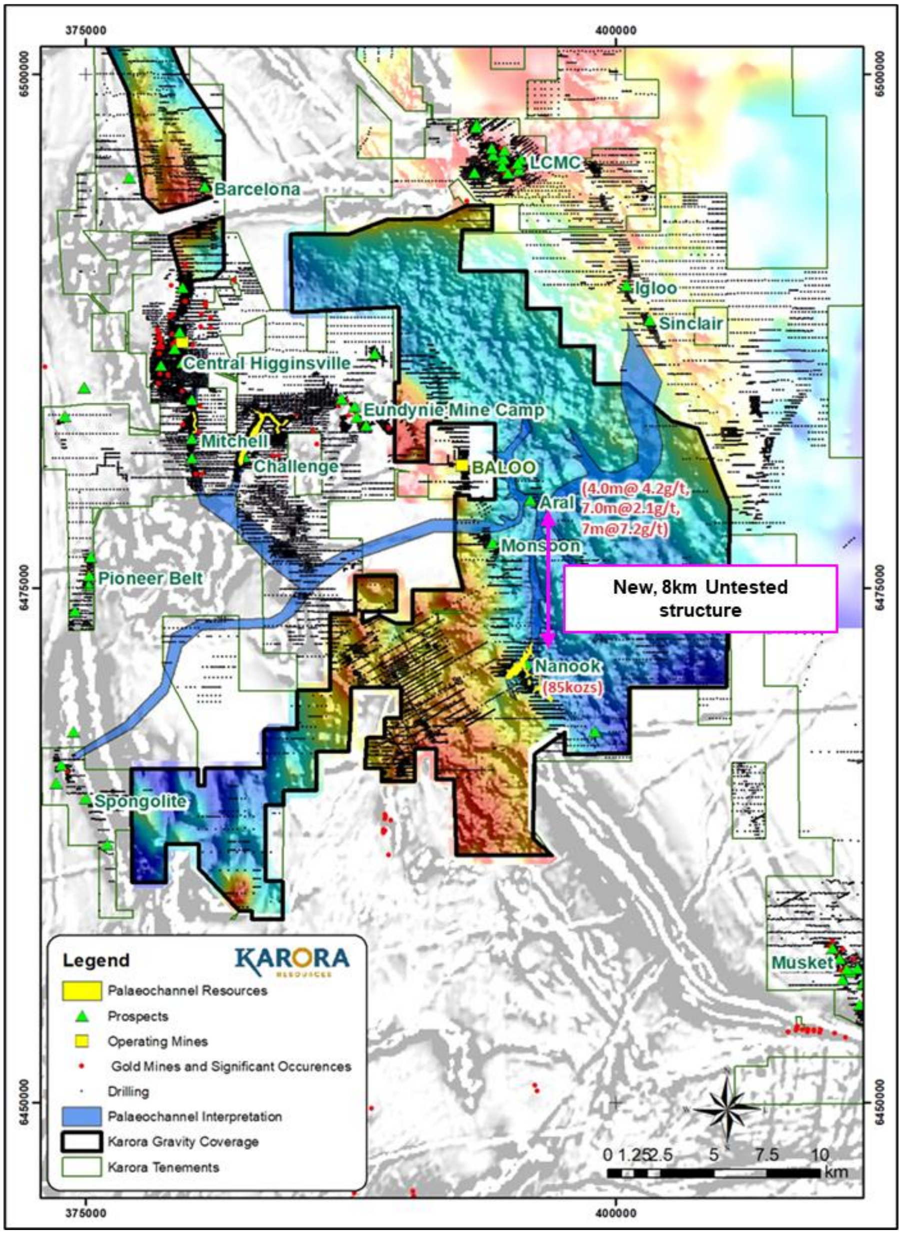
Initial interpretation shows an increase in the extent of the Lake Cowan paleochannel system and major extensions to the Nanook paleochannel[3]. This same system hosts the Challenge/Mitchell paleochannel deposits (232k ounces mined).

The Nanook paleochannel is associated with a gravity low that extends 8km north to the Aral prospect where historic air-core drilling intersected *4m @ 4.2 g/t (68m-72m) and 7m @ 2.1g/t (69m-76m)* at the base of a paleochannel and *7m @ 7.2 g/t (74m-81m)* below the paleochannel[4]. This area was previously unrecognized as a paleochannel structure and remains untested over the entire 8km. This is just one of the multiple targets identified during the gravity survey and highlights the potential in this one area alone.

Going forward the plan is to undertake a targeting study with the aim of producing a drill program based on the priority targets. This work is planned for completion next quarter.

[1] *Historical mineral resource - part of the Polar Bear Project (see technical report dated February 6, 2020 filed under Karora's SEDAR profile, S2 Resources Ltd, ASX news release February 13, 2017). A qualified person has not done sufficient work on behalf of Karora to classify the historical estimate noted as current mineral resources or mineral reserves and Karora is not treating the historical estimates as current mineral resources or mineral reserves.*
[2] *Gold Fields Australia - Diggers & Dealers Presentation, 2014,*
https://www.goldfields.com/pdf/investors/presentation/2014/diggers-and-dealers/presentation
[3] *Historical mineral resource comprising 2.2Mt @ 1.2g/t for 85k ounces - part of the Polar Bear Project (see technical report dated February 6, 2020 under Karora's profile at sedar.com, S2 Resources Ltd, ASX news release May 6, 2016). A qualified person has not done sufficient work on behalf of Karora to classify the historical estimate noted as current mineral resources or mineral reserves and Karora is not treating the historical estimates as current mineral resources or mineral reserves.*
[4] *Downhole thickness. True thickness cannot be estimated with available information.*

Figure 2 – High density Regional Gravity image over the eastern margin of the Higginsville Project. The image highlights the interpretation of the Lake Cowan paleochannel system based on the newly acquired gravity data



Beta Hunt Mine Update

During the second quarter of 2020, 185,899 tonnes of Beta Hunt material was milled at a grade of 2.64 g/t for production of 16,818 ounces of gold.

Beta Hunt production continues to focus on the Western Flanks and A Zone mining areas. Mining areas within the Western Flanks have shown widths up to 20 metres wide which help underpin the forecast increase in Beta Hunt production to approximately 65,000 tonnes per month compared to budget 50,000 to 55,000 ore tonnes per month.

Beta Hunt Mine Overview

The Corporation owns 100% of the Beta Hunt Mine, a producing gold and nickel mine located in the prolific Kambalda mining district of Western Australia. Beta Hunt is a mechanized underground mine that has been in operation since 1974 as a producing nickel mine, with gold production not commencing until 2015. The mine is now primarily focused on gold production, with a smaller nickel operation producing from adjacent discrete mineralized zones. Beta Hunt provides base lode mill feed to the Corporation's HGO treatment plant.

Beta Hunt's Maiden Gold Mineral Reserve estimate totals 306,000 ounces (3.45 Mt at an average grade of 2.8 g/t Au) at its Beta Hunt mine. The Maiden Gold Mineral Reserve estimate remains open for potential additions along strike and at depth from both the existing Gold Mineral Resources (underpinning the Mineral Reserves) and from exploration targets that will be drill-tested. On February 6, 2020, the Corporation filed a new technical report for the Beta Hunt Mine and HGO entitled "*Technical Report Western Australia Operations – Eastern Goldfields: Beta Hunt Mine (Kambalda) and Higginsville Gold Operations (Higginsville)*". This technical report can be found on Karora's website at www.karoraresources.com and under its profile at www.sedar.com

The Gold Mineral Reserve estimate for Beta Hunt is based on the previously announced A Zone and Western Flanks Mineral Resources, which contains a total Measured and Indicated Gold Mineral Resource of 10.1 million tonnes grading 2.9 g/t Au for 944,000 contained ounces. The Beta Hunt Gold Mineral Resource was announced by Karora on August 13, 2019. The Measured and Indicated Mineral Resources are inclusive of Mineral Reserves.

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 where these occurrences are found continues to improve, along with the advancing geological model, at present these occurrences are best considered as a potential periodic significant bonus to mine production.

Beta Hunt Royalty Reduction

On June 30, 2020, Karora and Maverix Metals Inc. ("**Maverix**") announced an agreement to reduce the gold royalty at Karora's Beta Hunt mine through the creation of a strategic partnership which aligns both parties in unlocking the significant value at Beta Hunt for their respective shareholders. Karora reached an agreement with Maverix to reduce the royalty on Beta Hunt gold production from 7.5% to 4.75% effective July 1, 2020, subject to certain conditions. The reduced royalty burden on the Beta Hunt mine will allow both Karora and Maverix shareholders to benefit from a renewed focus on exploration, development and potential future production growth at Beta Hunt. As consideration for the reduction, Karora will pay US$18 million in cash to Maverix.

Beta Hunt Mine Gold Mineral Resources

Resource[1,2,3,4,5]	Measured			Indicated			Measured & Indicated			Inferred		
	Kt	g/t	Koz	Kt	g/t	Koz	Kt	g/t	Koz	Kt	g/t	Koz
Western Flanks[6]	447	2.8	40	7,001	3.0	670	7,448	3.0	710	2,481	3.1	250
A Zone[7]	254	2.7	22	2,403	2.7	212	2,657	2.7	234	1,628	3.0	156
Total	701	2.8	62	9,404	2.9	882	10,104	2.9	944	4,109	3.1	406

1.Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.
2.The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce Mineral Reserves.
3.The Mineral Resource estimates include Inferred Mineral Resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is also no certainty that Inferred Mineral Resources will be converted to

Measured and Indicated categories through further drilling, or into Mineral Reserves once economic considerations are applied. Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding.
4.Gold Mineral Resources are reported using a 1.6 g/t Au cut-off grade.
5.Mineral Resources described here are based on information compiled by Paul Ellison, Senior Geologist for SLM. Paul Ellison is an employee of SLM and is a member of the Australasian Institute of Mining and Metallurgy (MAusIMM,).
6.Mineral Resource Estimate as of June 26, 2019.
7.Mineral Resource Estimate as of August 9, 2019.

Beta Hunt Mine Gold Mineral Reserve as at November 01, 2019[1,2,3,4,5]

Mining Area	Proven			Probable			Total		
	Tonnes kt	Grade g/t	Ounces Koz	Tonnes Kt	Grade g/t	Ounce koz	Tonnes kt	Grade g/t	Ounces koz
Western Flanks	170	2.7	15	2,900	2.9	260	3,070	2.9	275
A Zone	81	2.9	8	300	2.4	23	381	2.5	31
Total	251	**2.8**	23	3,200	**2.8**	283	3,450	**2.8**	**306**

1.The Mineral Reserve is reported at a 2.0 g/t cut-off grade.
2.Key assumptions used in the economic evaluation include:
- a metal price of US$1,400 per ounce gold and an exchange rate of 0.69 US$/A$.
- Metallurgical recovery of 94%.
- Operating Mining, Processing and G&A costs of A$105.35/t (A$, excluding capital).

3.The Mineral Reserve is depleted for all mining to November 1, 2019.
4.The tonnes and grades are stated to a number of significant digits reflecting the confidence of the estimate. Since each number is rounded individually, the table may show apparent inconsistencies between the sum of rounded components and the corresponding rounded total.
5.Rounding has been revised following publication of the reserve statement in Table 2 of Karora's December 23, 2019 news release. No change to Mineral Reserves.

The Beta Hunt Gold Mineral Reserve ("Gold Mineral Reserve") is reported at a 2.0 g/t cut-off grade and is based on a gold price of US$1,400 per ounce as well as current mining, processing, administration and royalty costs. Mining is based on a top-down, sub-level open stoping method.

As previously outlined, high-grade coarse style gold occurrences associated with the Shear Zone/Lunnon Sediment intersection horizon are not accounted for in the Gold Mineral Reserve estimate. These occurrences are best considered as a potential periodic bonus to mine production.

Dumont Nickel-Cobalt Project Overview

On July 27, 2020, the Corporation sold its 27.8% interest in the Dumont JV to two private funds advised by Waterton Global Resource Management, Inc. ("**Waterton**") for total consideration of up to $47.6 million of which $40.2 million is contingent subject to the terms and conditions on the sale of the project, subject to the terms and conditions of the sale agreement. At closing the Corporation received $10.7 million, comprised of $7.4 million from Waterton for its interest and a $3.3 million refund of the Corporation's share of the cash held within the Dumont. The Corporation will have the right to receive a portion of future proceeds of any future Dumont JV 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 $40.2 million.

4. OUTLOOK

The outlook and financial targets only relate to fiscal 2020. 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.

Karora 2020 Guidance

The Corporation is still targeting its consolidated production guidance of between 90,000 to 95,000 ounces of gold at an average AISC of US$1,050 to US$1,200 per ounce in respect of its Australian operations (Beta Hunt and HGO) as announced on January 23, 2020.

Reference is made to the Non-IFRS Measures section 14 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 anticipated to be produced from mining operations over the course of 2020, representing potential upside to the 2020 production and cost guidance estimates noted above.

Consolidated HGO and Beta Hunt exploration expenditures for the full year 2020 are targeted to be from $8.6 million to $9.0 million. Exploration expenditures are expected to prioritize areas at Higginsville given the recent renegotiation of the Morgan Stanley royalty as previously discussed.

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)	Three months ended,			Six months ended,		
For the periods ended June 30,	**2020**	2019	Change	**2020**	2019	Change
Revenue	**$56,100**	$17,249	$38,851	**$110,382**	$28,112	$82,270
Operating earnings (loss)	**12,891**	(5,809)	18,700	**28,494**	(5,824)	34,318
Other expenses (income), net	**(4,351)**	8,539	(12,890)	**10,368**	10,101	267
Earnings (loss) before income tax	**17,242**	(14,348)	31,590	**18,126**	(15,925)	34,051
Net earnings (loss)	**9,818**	(14,452)	24,270	**10,357**	(16,029)	26,386
Net earnings (loss) per share - basic	**$0.07**	$(0.13)	$0.20	**$0.08**	$(0.15)	$0.22
Net earnings (loss) per share - diluted	**$0.07**	$(0.13)	$0.20	**$0.07**	$(0.15)	$0.22

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

Three months ended June 30, 2020, compared with three months ended June 30, 2019

For the three months ended June 30, 2020, revenues increased by $38.9 million compared to the same period of 2019. HGO contributed $16.9 million and Beta Hunt contributed $39.2 million for the three months ended June 30, 2020 compared to the same period 2019 where Beta Hunt and HGO contributed $15.8 million and $1.4 million, respectively. Operating earnings for the three months ended June 30, 2020 improved by $18.7 million compared to the same three-month period of 2019. The operating earnings increase was primarily due to the acquisition of HGO in June 2019, higher realized market prices for gold and the Corporation's change in focus from exploration at Beta Hunt during the three months ended June 30, 2019 to an increased mining and milling activity for the same period ending June 30, 2020. Overall, other net expenses, decreased by $12.9 million in the second quarter of 2020 compared with 2019 which was partially due to a decrease in loss on derivatives of $2.6 million, a change in foreign exchange gain on primarily intercompany loans of $16.1 million and impairment of the Dumont JV of $6.0 million caused by the disposition. Overall, net earnings improved by $24.3 million for the three months ended June 30, 2020 compared to the same period 2019.

Six months ended June 30, 2020, compared with six months ended June 30, 2019

For the six months ended June 30, 2020, revenues increased by $82.3 million compared to the same period in 2019. HGO contributed $33.2 million and Beta Hunt contributed $77.2 million for the six months ended June 30, 2020 compared to the same period 2019 where HGO and Beta Hunt contributed $1.4 million and $26.6 million, respectively.

Operating earnings for the six months ended June 30, 2020 improved by $34.3 million compared to the same six-month period 2019. The operating earnings change was primarily due to the acquisition of HGO in June 2019, higher realized market prices for gold and the Corporation's change in focus from exploration at Beta Hunt during the six months ended June 30, 2019 to an increased mining and milling activity for the same period ending June 30, 2020. Overall, other net expenses increased by $0.3 million in the second quarter of 2020 compared with 2019 which was partially due to changes in derivative loss of $3.2 million, foreign exchange gain on primarily intercompany loans of $9.5 million and the impairment of the Dumont JV of $6.0 million caused by its classification as held for sale. Overall, net earnings improved by $26.4 million for the six months ended June 30, 2020 compared to the same period 2019.

Summary of Quarterly Results

(in thousands of dollars)	**2020**		**2019**				**2018**	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenues	$56,100	$54,282	$56,832	$43,092	$17,249	$10,863	$32,076	$43,397
Earnings (loss)	$9,818	$539	$10,465	($1,378)	($14,452)	($1,577)	$12,794	($7,510)
Net earnings (loss) per share - basic	$0.07	$0.00	$0.08	($0.01)	($0.13)	($0.02)	$0.15	($0.09)
Net earnings (loss) per share - diluted	$0.07	$0.00	$0.08	($0.01)	($0.13)	($0.02)	$0.15	($0.09)

Revenues for the second quarter of 2020 increased in comparison to the second quarter of 2019 primarily due to higher commodity prices and the strong performance of HGO and Beta Hunt which contributed $16.9 million and $39.2 million respectively. The Corporation reported earnings of $9.8 million for the second quarter of 2020, an increase of $24.3 million compared to the second quarter of 2019.

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, foreign exchange variations and mineral property additions 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 can reasonably be expected to affect the Corporation's future quarterly results. Fluctuations in the Canadian dollar, which is the Corporation's reportable 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

(in thousands of dollars)	Three months ended,			Six months ended,		
For the periods ended June 30,	**2020**	2019	Change	**2020**	2019	Change
Cash provided by (used in) operations prior to changes in working capital	**$18,417**	$(4,148)	$22,565	**$31,015**	$(7,523)	$38,538
Changes in non-cash working capital	**3,405**	(107)	3,512	**2,283**	(491)	2,774
Cash provided by (used in) operating activities	**21,822**	(4,255)	26,077	**33,298**	(8,014)	41,312
Cash used in investing activities	**(10,523)**	(27,248)	16,725	**(18,225)**	(34,991)	16,766
Cash provided by financing activities	**660**	39,594	(38,934)	**521**	50,506	(49,985)
Effect of exchange rate changes on cash and cash equivalents	**(199)**	1	(200)	**(83)**	3	(86)
Change in cash and cash equivalents	**$11,760**	$8,092	$3,668	**$15,511**	$7,504	$8,007

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

Operating Activities

For the three months ended June 30, 2020, cash provided by operating activities, prior to changes in non-cash working capital, was $18.4 million compared to cash used of $4.1 million for the same period in 2019, representing an increase of $22.6 million. Working capital changes provided cash of $3.4 million during the three months ended June 30, 2020 compared with cash used of $0.1 million for the same period in 2019, a $3.5 million change which primarily relates to movements in trade and other receivables of $8.0 million offset by a movement in accounts payable and accrued liabilities of $4.4 million.

For the six months ended June 30, 2020, cash provided by operating activities, prior to changes in non-cash working capital, was $31.0 million compared to cash used of $7.5 million for the same period in 2019, representing an increase of $38.5 million. Working capital changes provided cash of $2.3 million during the six months ended June 30, 2020 compared with cash used of $0.5 million for the same period in 2019, a $2.8 million change which primarily relates to movements in trade and other receivables of $7.8 million, inventories of $2.7 million, prepaid expenses of $0.9 million offset by a movement in accounts payable and accrued liabilities of $7.7 million.

Investing Activities

The three months ended June 30, 2020 reflected a use of cash of $10.5 million for the acquisition of property, plant and equipment and mineral property interests compared to $27.2 million which includes $21.6 million for the acquisition of HGO for the three months ended June 30, 2019.

The six months ended June 30, 2020 reflected a use of cash of $18.2 million for the acquisition of property, plant and equipment and mineral property interests compared to $35.0 million which includes $13.4 million for the acquisition of property plant and equipment and mineral property interest and $21.6 million for the acquisition of HGO for the six months ended June 30, 2019.

Financing Activities

The three months ended June 30, 2020 cash provided by financing activities of $0.7 million compared to cash provided of $39.6 million for the same period in 2019. The decrease of $38.9 million is mainly due to the 2019 issuance of shares totalling $10.8 million, and the issuance of debt of $34.4 million, partially offset by the repayment of debt of $6.6 million in 2019.

The six months ended June 30, 2020 cash provided from financing activities of $0.5 million compared to cash provided of $50.5 million for the same period in 2019. The decrease of $50 million is mainly due to the issuance of shares totalling $19 million, and the issuance of debt of $36.7 million, partially offset by repayment of debt of $6.6 million in 2019.

As a result of the foregoing activities, for the three and six months ended June 30, 2020, the net cash provided by operating, investing and financing activities was $11.8 million and $15.5 million compared to cash provided of $8.1 million and $7.5 million in 2019, respectively in the prior year.

<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	2,041	1,200

Hunt Mine)		
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 expended 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 future operating and capital needs from time to time. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary.

Liquidity and Capital Resources

(in thousands of dollars)	**June 30, 2020**	December 31, 2019
Cash and cash equivalents	**$50,167**	$34,656
Working capital [1]	**43,759**	26,506
Property, plant and equipment and mineral property interests	**147,831**	98,955
Total assets	**231,699**	177,777
Current liabilities excluding current portion of financial liabilities [2]	**32,933**	31,593
Non-current liabilities excluding non-current portion of financial liabilities [2]	**53,094**	21,783
Financial liabilities (current and non-current) [2]	**42,125**	32,119
Total liabilities	**128,152**	85,495
Shareholders' equity	**103,547**	92,282

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

As at June 30, 2020, the Corporation had a working capital surplus of $43.8 million compared to a $26.5 million surplus as at December 31, 2019 for an improvement of $17.3 million. The majority of the increase to working capital was a result of the Corporation's increase in cash and cash equivalents of $15.5 million.

Total assets as at June 30, 2020 increased by $53.9 million compared to the period ended December 31, 2019, primarily due to an increase in cash and cash equivalents of $15.5 million, an increase in property, plant and equipment and mineral property interests of $48.8 million and, an increase in assets held for sale of $10.7 million partially offset by a decrease in investments in associates of $17.1 million.

Total liabilities as at June 30, 2020 increased by $42.7 million compared to the period ended December 31, 2019. This increase is primarily due to an increase in debt of $7.9 million, deferred tax liabilities of $5.7 million, an increase in derivative financial liabilities $23.7 million and asset retirement obligations of $2.9 million.

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.

7. RESULTS OF QUARTERLY OPERATIONS

Mining Operations (Consolidated)

The second quarter of 2020 gold production was 24,078 ounces compared to 8,409 ounces in the second quarter of 2019 and down slightly from 24,816 ounces produced in the first quarter of 2020, Gold production is in line with 2020 production guidance. Milled tonnes for the quarter was 326,215 tonnes.

The consolidated gold milled grade in the second quarter was 2.26 grams per tonne of gold ("**g/t Au**"), 31% lower than in the second quarter of 2019 due to a higher level of Higginsville open pit material milled compared to exclusive Beta Hunt material used during the second quarter of 2019. The second quarter of 2020 mill grade of 2.26 g/t was slightly lower than the mill grade of 2.35 g/t in the first quarter of 2020 in part due to lower grade stockpiles being utilized to offset the impact due to ROM stockpile management as part of the Covid-19 strategy. Production during the second quarter of 2020 consisted of material from Beta Hunt underground, Baloo open pit, Fairplay North open pit and a small amount of stockpile material. During the second quarter of 2020, 23,185 ounces of gold was sold.

	Three months ended		Six months ended	
For the periods ended June 30,	**2020**	2019	**2020**	2019
Gold Operating Results				
Tonnes milled (000s)	**326**	89	**640**	139
Milled grade (g/t)	**2.26**	3.32	**2.30**	3.17
Gold produced (ounces)	**24,078**	8,409	**48,895**	13,187
Gold sales (ounces)	**23,185**	8,482	**47,811**	14,857
Cash operating cost (US $/ounce sold) [1]	**$935**	$1,264	**$950**	$1,107
All-in sustaining cost (AISC) (US $/ounce sold) [1]	**$1,065**	$1,316	**$1,084**	$1,193

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

Beta Hunt Mine

In the second quarter of 2020, 186 kt of material was milled at an average grade of 2.64 g/t to produce 16,818 ounces of gold, a 107% increase from the second quarter of 2019. Milling grades were 2% lower compared to the second quarter of 2019. Gold ounces of 16,024 were sold during the second quarter of 2020.

	Three months ended,		Six months ended,	
For the periods ended June 30,	**2020**	**2019**	**2020**	2019
Beta Hunt Gold Operating Results				
Tonnes milled (000s)	**186**	82	**372**	132
Milled grade (g/t)	**2.64**	3.32	**2.61**	3.17
Gold produced (ounces)	**16,818**	8,114	**33,989**	12,892
Gold sold (ounces)	**16,024**	8,187	**33,102**	14,562
Cash operating cost (US $/ounce sold) [1]	**$982**	$1,026	**$963**	$970

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

Higginsville Gold and Processing Operations

The Higginsville Gold Operation milled 326 kt of material, which included 140 kt of HGO material that produced 7,260 ounces at an average grade of 1.75 g/t Au for the three months ended June 30, 2020. Milling has continued at HGO based on a steady feed of material from HGO and Beta Hunt.

	Three months ended,		Six months ended,	
For the periods ended June 30,	**2020**	**2019**	**2020**	2019
Higginsville Gold Operating Results				
Tonnes milled (000s)	**140**	7	**268**	7
Milled grade (g/t)	**1.75**	1.38	**1.87**	1.38
Gold produced (ounces)	**7,260**	295	**14,907**	295
Gold sold (ounces)	**7,161**	304	**14,709**	304
Cash operating cost (US $/ounce sold) [1]	**$829**	N/A	**$923**	N/A

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. OFF-BALANCE SHEET ARRANGEMENTS

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

9. PROPOSED TRANSACTIONS

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

10. SUBSEQUENT EVENTS

The second quarter of 2020 was marked by the severity of the ongoing Coronavirus global outbreak. The extent and duration of the related impacts on the Corporation's operations, including with respect to suppliers, service providers, employees and on global financial markets, is not known at this time but could be material. The Beta Hunt and HGO sites continue to operate while the Corporation monitors developments in order to be in a position to take appropriate actions as needed. See Risk Factors section in Karora's Annual Information Form for the most recently completed fiscal year its available on SEDAR at www.sedar.com for further information on this risk.

On July 27, 2020, Karora closed the previously announced (see news Karora release dated July 22) agreement to sell its 28% interest in the Dumont Nickel Project ("**Dumont**") to two private funds advised by Waterton. Karora received $10.7 million in cash, comprised 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 will have the right to receive a portion of future proceeds of any future Dumont sale or other monetization event up to a maximum of an additional $40.2 million.

On July 30, 2020, Karora announced, as previously authorized by its shareholders and following a determination by its Board of Directors, the completion of a consolidation of its outstanding common shares on the basis of one (1) post-consolidation common share for every four point five (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, have been proportionately adjusted as a result of the Consolidation. Share, warrants and per share amounts have been retrospectively adjusted to the Corporation's unaudited condensed interim consolidated financial statements for the June 30, 2020 period.

On July 30, 2020, Karora announced that the Corporation had agreed to sell, directly and through a wholly-owned subsidiary, 11,3 million common shares ("**Shares**") of Orford Mining Corporation at a price of $0.09 per share for an aggregate consideration of $1.0 million. The Corporation's interest decreased approximately from a 23.6% undiluted and 24.5% partially diluted basis to an approximate 11.8% and 12.8%, respectively.

On August 7, 2020, the Corporation has closed the acquisition of the Spargos Reward Gold Project from Corona Resources Limited as originally announced on May 11, 2020.

11. OUTSTANDING SHARE DATA

On July 31, 2020 the Corporation consolidated its common shares on the basis of one (1) post-consolidation common share for every four and a half (4.5) pre-consolidation common shares. Following the effective date of the consolidation, xxx common shares will be issued and outstanding.

As at August 10, 2020, the Corporation had 144,155,556 common shares issued and outstanding and had the following securities outstanding, which are exercisable for common shares:

	Number of Securities
Stock options	5,098,926
Warrants	5,519,000

As at August 10, 2020, 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	174,298
Restricted share units	1,011,994

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

12. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to apply accounting policies and make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. There is full disclosure of the Corporation's critical accounting policies and accounting estimates in note 2 of the audited consolidated financial statements for the year ended December 31, 2019.

There were no changes to the accounting policies applied by the Corporation to its June 30, 2020 unaudited condensed interim consolidated financial statements, compared to those applied by the Corporation to the audited consolidated financial statements for the year ended December 31, 2019.

13. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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 disclosure controls and procedures ("**DCP**") and internal controls over financial reporting ("**ICFR**"), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*. The Corporation's controls are based on the Committee of Sponsoring Organizations of the Treadway Commission (2013) framework on Internal Control – Integrated Framework. The Corporation's management believes that any disclosure controls and procedures and internal control over financial reporting, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met. Based on its evaluation and the material weakness in internal controls outlined below, the Corporation's Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's ICFR were not effective as of June 30, 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 represents 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.

Management is committed to remediating the material weakness in a timely manner, with the appropriate oversight from the Corporation's Audit Committee. The Corporation responded to the material weakness by implementing a more rigorous review process related to the classification of expenditures and amortization of capitalized expenditures for the year ended December 31, 2019 and will continue to monitor these controls each quarter. Material weaknesses cannot be considered remediated until the remedial controls operate for a sufficient period of time and management has concluded through testing that these controls are operating effectively. Operational effectiveness of the Corporation's controls will be reported on in the fourth quarter of 2020.

Except as described in the previous paragraphs, there have been no changes in the Corporation's DCP or ICFR that materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

The Corporation’s CEO and CFO concluded that as of June 30, 2020, except as described in the previous paragraphs, the Corporation’s design and operation of its DCP and ICFR were effective in providing reasonable assurance that material information regarding this report, and the unaudited condensed interim consolidated financial statements and other disclosures, was made known to them in a timely manner and reported as required and in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

14. NON-IFRS MEASURES

This MD&A refers to cash operating cost, cash operating cost per ounce, all-in sustaining cost, EBITDA, adjusted EBITDA, adjusted EBITDA per share, adjusted earnings and adjusted earnings 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

For the periods ended June 30,	Three months ended, **2020**	2019	Six months ended, **2020**	2019
Production and processing costs	$32,210	$17,244	$65,744	$25,503
Royalty expense: Government of Western Australia	1,408	350	2,637	620
Royalty expense: Other	3,706	1,089	6,815	1,928
By-product credits	(861)	(1,172)	(861)	(1,172)
Adjustment	(6,435)[1]	(3,200)[1,2]	(12,683)[1]	(4,960)[1,2]
Operating costs (CA$)	$30,028	$14,311	$61,652	$21,919
General and administration expense – Australia	2,007[3]	341	2,928[3]	684
Sustaining capital expenditures	2,166	246	5,713	1,027
All-in sustaining costs (CA$)	$34,201	$14,898	$70,293	$23,630
Average exchange rate (CA$1 – US$1)	0.72	0.75	0.74	0.75
Operating costs (US$)	**$21,675**	**$10,720**	**$45,443**	**$16,442**
All-in sustaining costs (US$)	**$24,688**	**$11,159**	**$51,811**	**$17,726**
Ounces of gold sold	23,185	8,482	47,811	14,857
Cash operating costs (per ounce sold) (US$)	**$935**	**$1,264**	**$950**	**$1,107**
All-in sustaining cost (per ounce sold) (US$)	**$1,065**	**$1,316**	**$1,084**	**$1,193**

1. Negative adjustment for intercompany tolling transactions
2. Adjustments for prior year drilling restatements
3. G&A costs were reduced with R&D and Due Diligence costs

Beta Hunt Mine (gold)

For the periods ended June 30,	Three months ended, **2020**	2019	Six months ended, **2020**	2019
Production and processing costs	$18,604	$13,050	$36,832	$21,309
Royalty expense: Government of Western Australia	979	350	1,773	620
Royalty expense: Other	3,031	1,089	5,461	1,928
By-product credits	(807)	(1,172)	(807)	(1,172)
Adjustment[1]	-	(2,076)	-	(3,836)
Operating costs (CA$)	$21,807	$11,241	$43,259	$18,849
Average exchange rate (CA$1 – US$1)	0.72	0.75	0.74	0.75
Operating costs (US$)	**$15,742**	**$8,404**	**$31,863**	**$14,125**
Ounces of gold sold	16,024	8,187	33,102	14,562
Cash operating costs (per ounce sold) (US$)	**$982**	**$1,026**	**$963**	**$970**

1. Adjustments for prior year drilling restatements

Higginsville Mine (gold)

For the periods ended June 30,	Three months ended, 2020	2019[2]	Six months ended, 2020	2019[2]
Production and processing costs	$13,606	$4,194	$28,912	$4,194
Royalty expense: Government of Western Australia	429	-	864	-
Royalty expense: Other	675	-	1,354	-
By-product credits	(54)	-	(54)	-
Adjustment[1]	(6,435)	(1,124)	(12,683)	(1,124)
Operating costs (CA$)	$8,221	$3,070	$18,393	$3,070
Average exchange rate (CA$1 – US$1)	0.72	0.75	0.73	0.75
Operating cost (US$)	**$5,934**	**$2,316**	**$13,579**	**$2,316**
Ounces of gold sold	7,161	295	14,709	295
Cash operating costs (per ounce sold) (US$)	**$829**	**N/A**	**$923**	**N/A**

1. Negative adjustment for intercompany tolling transactions
2. Cash operating costs were excluded from the table for 2019 as insufficient data for the stub period was available.

Adjusted EBITDA and Adjusted Earnings

Management believes that adjusted EBITDA per share and adjusted Earnings per share are valuable indicators 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.

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 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; non-cash portion of share-based payments; acquisition costs; foreign exchange loss.

(in thousands of dollars except per share amounts)	Three months ended,		Six months ended,	
For the periods ended June 30,	**2020**	2019 [1]	**2020**	2019 [1]
Net earnings (loss) for the period - as reported	**$9,818**	$(14,452)	**$10,357**	$(16,029)
Finance expense, net	**769**	420	**1,750**	627
Income tax expense	**5,549**	104	**5,894**	104
Depreciation and amortization	**5,472**	1,397	**9,526**	1,949
Non-cash impairment charge [2]	**6,006**	-	**6,006**	-
Adjustments:				
Non-cash share-based payments [2]	**1,936**	1,500	**1,713**	858
Share of loss of associates [2]	**8**	197	**425**	504
Other income, net [2]	**12**	377	**(235)**	200
Foreign exchange loss [3]	**(12,222)**	3,844	**(4,507)**	5,008
Adjusted EBITDA	**$17,348**	$(6,613)	**$30,929**	$(6,779)
Weighted average number of common shares - basic	**135,605,419**	112,307,082	**135,362,683**	108,180,559
Adjusted EBITDA per share - basic	**$0.13**	$(0.06)	**$0.23**	$(0.06)

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

In the determination of adjusted earnings (loss), the Corporation assumes the same exclusions noted above for the determination of Adjusted EBITDA but adds back the impact of servicing debt obligations being interest expense and other finance-related costs.

(in thousands of dollars except per share amounts)	Three months ended,		Six months ended,	
For the periods ended June 30,	**2020**	2019	**2020**	2019
Adjusted EBITDA	**$17,348**	$(6,613)	**$30,929**	$(6,779)
Finance expense, net	**(769)**	(420)	**(1,750)**	(627)
Adjusted earnings (loss)	**$16,579**	$(7,033)	**$29,179**	$(7,406)
Weighted average number of common shares - basic	**135,605,419**	112,307,082	**135,362,683**	108,180,559
Adjusted earnings (loss) per share - basic	**$0.12**	$(0.06)	**$0.22**	$(0.07)

15. CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information", which may include, but is not limited to, statements relating to the liquidity and capital resources of Karora, production and cost guidance, the potential of the Beta Hunt and HGO, and the potential of Dumont, West Raglan and Qiqavik projects, 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 and at 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, 2019 and 2018 Management's Discussion and Analysis and Annual Information Form for the year ended December 31, 2019 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 the current tax credit receivable from the Quebec government is collected in a timely manner; 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", "inferred" or "indicated" 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.