



UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Six Months Ended June 30, 2022 and 2021
(in thousands of Canadian dollars)



TABLE OF CONTENTS

| | |
|--|---|
| Interim Consolidated Statements of Financial Position | 2 |
| Interim Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss) | 3 |
| Interim Consolidated Statements of Cash Flows | 4 |
| Interim Consolidated Statements of Changes in Equity | 5 |
| Notes to Financial Statements | 6 |



Interim Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

| As at | Note | June 30, 2022 \$ | December 31, 2021 \$ |
|--|------|---------------------|-------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 114,094 | 91,005 |
| Trade and other receivables | 4 | 3,798 | 5,673 |
| Inventories | 5 | 33,135 | 32,878 |
| Prepaid expenses | | 1,326 | 2,321 |
| Marketable securities | 6 | 2,022 | 3,549 |
| | | 154,375 | 135,426 |
| Non-current assets | | | |
| Property, plant and equipment and mineral property interests | 7 | 322,303 | 300,680 |
| Deferred tax asset | | 211 | 207 |
| Other non-current assets | | 20 | 20 |
| Total assets | | 476,909 | 436,333 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 8 | 35,445 | 53,913 |
| Current tax liability | | - | 254 |
| Share incentive plan liabilities | 14 | 5,347 | 7,522 |
| Debt | 9 | 31,329 | 3,010 |
| Lease obligations | 10 | 3,474 | 3,399 |
| Derivative financial liabilities | 11 | 3,153 | 2,881 |
| | | 78,748 | 70,979 |
| Non-current liabilities | | | |
| Debt | 9 | - | 29,647 |
| Lease obligations | 10 | 4,352 | 5,580 |
| Derivative financial liabilities | 11 | 19,983 | 22,391 |
| Asset retirement obligations | 12 | 30,029 | 31,136 |
| Deferred tax liability | | 27,099 | 25,135 |
| Other non-current liabilities and provisions | | 64 | 100 |
| Total liabilities | | 160,275 | 184,968 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 13 | 380,424 | 310,143 |
| Contributed surplus | | 33,566 | 31,523 |
| Accumulated other comprehensive income | | (1,009) | 2,009 |
| Deficit | | (96,347) | (92,310) |
| Total shareholders' equity | | 316,634 | 251,365 |
| Total liabilities and shareholders' equity | | 476,909 | 436,333 |

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

Subsequent events (note 19)



Interim Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss)

(Expressed in thousands of Canadian dollars, except per share amounts)

| For the periods ended June 30, | Note | Three months ended, | | Six months ended, | |
|--|------|---------------------|---------------|-------------------|---------------|
| | | 2022 \$ | 2021 \$ | 2022 \$ | 2021 \$ |
| Revenue | | 73,609 | 69,570 | 138,881 | 128,854 |
| Cost of operations: | | | | | |
| Production and processing costs | | 40,093 | 29,570 | 82,529 | 58,871 |
| Royalty expense | | 4,186 | 4,356 | 7,820 | 8,111 |
| General and administrative | | 6,016 | 5,513 | 12,819 | 10,383 |
| General and administrative: share incentive plans | | (3,124) | 2,958 | 2,840 | 4,248 |
| Depreciation and amortization | | 13,689 | 7,718 | 22,443 | 15,001 |
| Sustainability initiatives | | 1,181 | - | 1,181 | - |
| Operating earnings | | 11,568 | 19,455 | 9,249 | 32,240 |
| Other expenses (income) | | | | | |
| Finance expense, net | 15 | 1,070 | 965 | 2,115 | 2,046 |
| Loss (gain) on derivatives | | (827) | 2,914 | 288 | 54 |
| Foreign exchange loss | | 9,142 | 4,519 | 6,191 | 9,092 |
| Unrealized loss on revaluation of marketable securities | | 881 | 857 | 1,527 | 497 |
| Other expense, net | | 249 | - | 228 | 15 |
| Earnings (loss) before income tax | | 1,053 | 10,200 | (1,100) | 20,536 |
| Income tax expense - current | | (5) | (24) | (38) | (45) |
| Income tax expense - deferred | | (1,376) | (4,785) | (2,899) | (9,476) |
| Net earnings (loss) | | (328) | 5,391 | (4,037) | 11,015 |
| Currency translation adjustments | | (4,512) | (1,718) | (3,018) | (3,107) |
| Comprehensive earnings (loss) | | (4,840) | 3,673 | (7,055) | 7,908 |
| Net earnings (loss) attributable to common shareholders per share | | | | | |
| Basic | | (0.00) | 0.04 | (0.03) | 0.08 |
| Diluted | | (0.00) | 0.04 | (0.03) | 0.07 |
| Weighted average number of shares | | | | | |
| Basic | 16 | 157,838,797 | 146,801,153 | 156,149,243 | 146,529,214 |
| Diluted | 16 | 157,838,797 | 153,154,785 | 156,149,243 | 152,712,184 |

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

Subsequent events (note 19)



Interim Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

| For the periods ended June 30, | Three months ended, | | Six months ended, | |
|---|---------------------|------------|-------------------|------------|
| | 2022 \$ | 2021 \$ | 2022 \$ | 2021 \$ |
| Cash flow provided by (used in) | | | | |
| OPERATING ACTIVITIES | | | | |
| Net earnings (loss) for the period | (328) | 5,391 | (4,037) | 11,015 |
| Changes not affecting cash: | | | | |
| Depreciation and amortization | 13,697 | 7,770 | 22,514 | 15,092 |
| Income tax expense | 1,381 | 4,809 | 2,937 | 9,521 |
| Share incentive plans | (3,836) | 2,308 | 1,932 | 3,450 |
| Foreign exchange loss | 9,350 | 5,074 | 6,313 | 9,465 |
| Net change in fair value of derivative instruments | (827) | 2,914 | 288 | 54 |
| Finance expense, net | 1,070 | 965 | 2,115 | 2,046 |
| Loss on disposal of property, plant and equipment | 264 | - | 264 | - |
| Unrealized loss on revaluation of marketable securities | 881 | 857 | 1,527 | 497 |
| | 21,652 | 30,088 | 33,853 | 51,140 |
| Changes in non-cash working capital | | | | |
| Trade and other receivables | 3,236 | 727 | 1,760 | 61 |
| Inventories | 1,690 | (2,067) | 148 | (2,783) |
| Prepaid expenses | 387 | 806 | 904 | 852 |
| Accounts payable and accrued liabilities | (15,301) | (3,186) | (12,504) | (4,190) |
| | 11,664 | 26,368 | 24,161 | 45,080 |
| Asset retirement obligations | (94) | - | (441) | - |
| Income taxes paid | (328) | (51) | (328) | (51) |
| Net cash provided by operating activities | 11,242 | 26,317 | 23,392 | 45,029 |
| INVESTING ACTIVITIES | | | | |
| Property, plant and equipment and mineral property interests | (35,084) | (16,982) | (59,868) | (35,175) |
| Proceeds on disposal of property, plant and equipment | 265 | - | 265 | - |
| Investment in marketable securities | - | - | - | (119) |
| Interest received | 84 | 33 | 129 | 69 |
| Net cash used in investing activities | (34,735) | (16,949) | (59,474) | (35,225) |
| FINANCING ACTIVITIES | | | | |
| Issuance of shares | 69,000 | - | 69,000 | - |
| Share issue costs | (3,685) | - | (3,685) | - |
| Share repurchase and cancellation | - | - | - | (613) |
| Repayments of debt | (1,665) | (1,532) | (1,665) | (1,532) |
| Debt issue costs | - | (55) | - | (55) |
| Proceeds from exercise of options and warrants | 298 | 1,315 | 1,726 | 1,732 |
| Payments on leases | (1,065) | (865) | (2,135) | (1,411) |
| Settlements in respect of derivative instruments | (838) | (638) | (1,533) | (1,301) |
| Interest paid | (703) | (749) | (1,383) | (1,489) |
| Net cash provided by (used in) financing activities | 61,342 | (2,524) | 60,325 | (4,669) |
| Effect of exchange rate changes on cash and cash equivalents | (1,855) | (1,431) | (1,154) | (2,670) |
| Net increase in cash and cash equivalents | 35,994 | 5,413 | 23,089 | 2,465 |
| Cash and cash equivalents, beginning of period | 78,100 | 76,747 | 91,005 | 79,695 |
| Cash and cash equivalents, end of period | 114,094 | 82,160 | 114,094 | 82,160 |
| Components of cash and cash equivalents: | | | | |
| Cash | 108,752 | 82,040 | 108,752 | 82,040 |
| Cash equivalents | 5,342 | 120 | 5,342 | 120 |
| | 114,094 | 82,160 | 114,094 | 82,160 |

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

Subsequent events (note 19)



Interim Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars, except share numbers)

| | Note | Share capital (note 13) | | Contributed surplus \$ | Accumulated other comprehensive income \$ | Deficit \$ | Total equity \$ |
|--|------|-------------------------|----------------|---------------------------|--|-----------------|--------------------|
| | | Number | \$ | | | | |
| Balance as at December 31, 2021 | | 154,076,242 | 310,143 | 31,523 | 2,009 | (92,310) | 251,365 |
| Exercise of restricted share units | 14 | 157,723 | 949 | - | - | - | 949 |
| Exercise of stock options | 14 | 903,940 | 2,876 | (1,150) | - | - | 1,726 |
| Share incentive plans | 14 | - | - | 3,193 | - | - | 3,193 |
| Private placement | 13 | 14,375,000 | 69,000 | - | - | - | 69,000 |
| Share issue costs | 13 | - | (3,894) | - | - | - | (3,894) |
| Shares issued to settle an obligation | 13 | 297,718 | 1,350 | - | - | - | 1,350 |
| Comprehensive loss | | - | - | - | (3,018) | (4,037) | (7,055) |
| Balance as at June 30, 2022 | | 169,810,623 | 380,424 | 33,566 | (1,009) | (96,347) | 316,634 |

| | Share capital | | Contributed surplus \$ | Accumulated other comprehensive income \$ | Deficit \$ | Total equity \$ |
|--|--------------------|----------------|---------------------------|--|------------------|--------------------|
| | Number | \$ | | | | |
| Balance as at December 31, 2020 | 146,129,181 | 289,483 | 31,413 | 5,789 | (119,481) | 207,204 |
| Exercise of restricted share units | 125,836 | 426 | - | - | - | 426 |
| Exercise of warrants | 269,937 | 929 | (334) | - | - | 595 |
| Exercise of stock options | 837,553 | 1,799 | (662) | - | - | 1,137 |
| Share incentive plans | - | - | 2,411 | - | - | 2,411 |
| Share repurchase and cancellation | (198,000) | (393) | - | - | (220) | (613) |
| Comprehensive earnings (loss) | - | - | - | (3,107) | 11,015 | 7,908 |
| Balance as at June 30, 2021 | 147,164,507 | 292,244 | 32,828 | 2,682 | (108,686) | 219,068 |

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



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

Notes to Financial Statements

1. NATURE OF OPERATIONS

Karora Resources Inc. ("**Karora**" or "**Karora Resources**") is a company domiciled in Canada and was incorporated on December 13, 2006, under the Canada Business Corporations Act. The Corporation's shares are publicly traded on the Toronto Stock Exchange (TSX: KRR) (OTCQX: KRRGF). The Corporation's registered office is located at 141 Adelaide Street West, Suite 1608 in Toronto, Ontario, Canada.

These unaudited condensed interim consolidated financial statements of the Corporation as at and for the three and six months ended June 30, 2022 are comprised of Karora, its subsidiaries including its Australian operating subsidiaries, Salt Lake Mining Pty Ltd. ("**SLM**") and the group of subsidiaries collectively referred to as Higginsville Gold Operation ("**HGO**"). Collectively, these entities are referred to as the "**Corporation**".

Karora is a multi-asset mineral resource company. The Corporation's main assets are: 1) its 100% interest in the Beta Hunt Mine ("**Beta Hunt**") which is owned by SLM; 2) its 100% interest in the HGO toll processing and gold mining operation; and 3) its 100% interest in the Spargos Reward Gold Project ("**Spargos**") which is owned by HGO and included as a part of that business segment, all of which are located in Western Australia.

In response to the global COVID-19 pandemic, in conjunction with federal and state protocols in the countries where the Corporation operates, the Corporation established policies and practices which mitigated impacts of the pandemic on its operations. All of the Corporation's mines continued production throughout the six months ended June 30, 2022. The Corporation's ongoing response to the COVID-19 pandemic is to continue to prioritize the safety of its workforce and host communities while mitigating operational impacts.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2021.

The Corporation's presentation currency is Canadian dollars (\$).

The unaudited condensed interim consolidated financial statements were authorized for publication by the Board of Directors on August 12, 2022.



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in thousands of Canadian dollars, unless otherwise indicated)

(b) Basis of preparation

The accounting policies followed in these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2021.

3. ACCOUNTING POLICY JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with IAS 34 requires management to make certain accounting policy 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 accounting policy judgment and estimates affecting the amounts recognized in the interim consolidated financial statements for the three and six months ended June 30, 2022 are consistent with those applied and disclosed in note 3 to the Corporation's audited consolidated financial statements for the year ended December 31, 2021.

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

| As at | June 30, 2022 | December 31, 2021 |
|---------------------------|----------------|-------------------|
| Trade accounts receivable | \$1,662 | \$2,185 |
| Sales taxes and rebates | 2,101 | 3,488 |
| Income tax receivable | 35 | - |
| | \$3,798 | \$5,673 |

5. INVENTORIES

Inventories consist of the following:

| As at | June 30, 2022 | December 31, 2021 |
|-------------------------|-----------------|-------------------|
| Gold ore | 19,855 | \$24,066 |
| Gold in process | 7,205 | 4,626 |
| Nickel ore | 359 | 285 |
| Stores, spares and fuel | 5,715 | 3,901 |
| | \$33,135 | \$32,878 |

As at June 30, 2022, \$6.9 million (December 31, 2021 – \$5.6 million) of depreciation was included in inventory.



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in thousands of Canadian dollars, unless otherwise indicated)

6. MARKETABLE SECURITIES

The following table reflects the continuity of the Corporation's marketable securities:

| | |
|---|----------------|
| For the six months ended June 30, | 2022 |
| Opening balance | \$3,549 |
| Unrealized loss on revaluation of marketable securities | (1,527) |
| Closing balance | \$2,022 |

The Corporation's marketable securities are traded in an active market on stock exchanges and are therefore considered Level 1 assets under the Corporation's fair value hierarchy. The marketable securities are recorded at fair values which are derived using quoted market prices.

7. PROPERTY, PLANT AND EQUIPMENT AND MINERAL PROPERTY INTERESTS

The following tables reflect the continuity of the Corporation's property, plant and equipment and mineral property interests.

| | Plant and Equipment | Mineral Property Interests | Exploration and Evaluation | Total |
|---|------------------------|----------------------------------|----------------------------------|------------------|
| As at December 31, 2021 | \$81,796 | \$172,269 | \$46,615 | \$300,680 |
| Additions | 25,222 | 25,832 | 6,349 | 57,403 |
| Adjustment in respect of rehabilitation obligations (note 12) | - | 47 | - | 47 |
| Disposals | (529) | - | - | (529) |
| Change due to foreign exchange translation | (3,367) | (6,031) | (1,755) | (11,153) |
| Depreciation | (4,848) | (19,297) | - | (24,145) |
| As at June 30, 2022 | \$98,274 | \$172,820 | \$51,209 | \$322,303 |
| As at June 30, 2022 | | | | |
| Cost | \$120,213 | \$248,168 | \$51,209 | \$419,590 |
| Accumulated depreciation | (21,939) | (75,348) | - | (97,287) |
| Net book value | \$98,274 | \$172,820 | \$51,209 | \$322,303 |
| As at December 31, 2021 | | | | |
| Cost | \$101,240 | \$231,797 | \$46,615 | \$379,652 |
| Accumulated depreciation | (19,444) | (59,528) | - | (78,972) |
| Net book value | \$81,796 | \$172,269 | \$46,615 | \$300,680 |

The tables below summarize the balances in respect of right-of-use assets which are included in the tables above:



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in thousands of Canadian dollars, unless otherwise indicated)

| | Plant and Equipment |
|--|------------------------|
| As at December 31, 2021 | \$11,223 |
| Additions | 977 |
| Depreciation | (1,005) |
| Change due to foreign exchange translation | (564) |
| As at June 30, 2022 | \$10,631 |

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

| As at | June 30, 2022 | December 31, 2021 |
|---------------------------|-----------------|-------------------|
| Trade accounts payable | \$3,483 | \$18,683 |
| Royalty accrual | 5,517 | 4,915 |
| Spargos accrual | - | 1,382 |
| Employee related accruals | 10,008 | 9,798 |
| Accrued liabilities | 16,437 | 19,135 |
| | \$35,445 | \$53,913 |

Accounts payable and accrued liabilities includes \$2.6 million (December 31, 2021 - \$7.6 million) in respect of property, plant and equipment and mineral property interests.

9. DEBT

Debt consist of the following:

| For the six months ended June 30, 2022 | Bridge (i) | Morgan Stanley Installments (ii) | Total |
|--|---------------|--|---------------|
| As at December 31, 2021 | \$29,647 | \$3,010 | \$32,657 |
| Repayments | - | (1,665) | (1,665) |
| Accretion expense | 116 | 131 | 247 |
| Change due to foreign exchange translation | - | 90 | 90 |
| As at June 30, 2022 | 29,763 | 1,566 | 31,329 |
| Less current portion | 29,763 | 1,566 | 31,329 |
| Non-current portion | \$- | \$- | \$- |

(i) Bridge

As at June 30, 2022, the Corporation had an outstanding bridge facility in the amount of \$30 million (“**Bridge**”). The Bridge was initiated in June 2019. The Corporation has, at its option, the right to extend the term by additional periods of six months which would result in a maturity date during June 2023 and consequently the loan is classified as current on the statement of financial position. The facility does not require repayment of principal until the maturity date and bears interest at a rate of 9% per annum paid monthly. Total issue costs of \$1.9 million are included in the amortized cost of the loan and expensed on an effective interest rate



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in thousands of Canadian dollars, unless otherwise indicated)

basis over the term of the Bridge. On July 14, 2022, the Corporation closed an arrangement to refinance the Bridge facility (note 19) and the Bridge was fully repaid on that date.

(ii) Morgan Stanley Installments

As part of a royalty buyback arrangement with Morgan Stanley Capital Group Inc. (“Morgan Stanley”), the Corporation agreed to pay USD\$6.3 million comprising 5 installments of US\$1.26 million each starting on November 18, 2020 and payable each six months thereafter until fully paid. The Corporation calculated the net present value of these payments using a 10% discount rate.

10. LEASE OBLIGATIONS

The following table reflects the continuity of lease obligations for the six months ended June 30, 2022:

| For the six months ended June 30, | 2022 |
|--|--------------|
| Opening balance | \$8,979 |
| Additions | 977 |
| Accretion | 285 |
| Cash payments | (2,135) |
| Change due to foreign exchange translation | (280) |
| Closing balance | 7,826 |
| Less current portion | 3,474 |
| Non-current portion | \$4,352 |

During the six months ended June 30, 2022, \$43.5 million (2021 - \$28.5 million) was expended in respect of short-term leases not included above.

11. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation has a participation royalty agreement with Morgan Stanley whereby the Corporation shall pay Morgan Stanley 27.5% of the first 2,500 troy ounces of gold sold in each quarter, multiplied by the difference between the average gold London pm fix price for the quarter and AUD\$1,340. The Corporation has recognised a derivative liability for the participation royalty agreement which is fair valued at each reporting period.

The fair value of derivative instruments not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included as a Level 2 measurement. As the discount rate is not an observable input, the Morgan Stanley participation royalty derivative liability is classified within Level 3 of the fair value hierarchy.

The participation royalty obligation was estimated using a forward contract valuation approach model. The key inputs used in the valuation include:



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in thousands of Canadian dollars, unless otherwise indicated)

- the gold forward price curve based on the COMEX futures curve, extrapolated where necessary;
- USD/AUD foreign exchange rates based on forward curves;
- discount rates incorporating the Corporation's estimated credit spread of 4.3% as at June 30, 2022;
- a current risk-free rate based on the Australian dollar swaps curve; and
- the Corporation's estimated gold ounce delivery into the participation royalty.

The following tables summarize the quantitative information about significant unobservable inputs used in Level 3 fair value measurements:

| As at June 30, 2022 | Fair value | Unobservable Inputs | Range of Inputs | Relationship of unobservable inputs on fair value |
|-------------------------------------|------------|---------------------|-----------------|---|
| Morgan Stanly Participation Royalty | 23,136 | Discount rate | 6% - 8% | An increase or decrease in the discount rate of 1% would decrease or increase fair value by \$0.9 million or \$0.9 million, respectively. |
| Morgan Stanly Participation Royalty | 23,136 | Gold price | | An increase or decrease in the gold price of 10% would decrease or increase fair value by \$4.2 million or \$4.2 million, respectively. |

The table below summarizes the movements in the derivative liability for the six months ended June 30, 2022:

| For the six months ended June 30, 2022 | Morgan Stanley Participation Royalty |
|--|--------------------------------------|
| As at December 31, 2021 | \$25,272 |
| Settlements | (1,594) |
| Net change in fair value | 288 |
| Change due to foreign exchange translation | (830) |
| As at June 30, 2022 | 23,136 |
| Less current portion | 3,153 |
| Non-current portion | \$19,983 |

12. ASSET RETIREMENT OBLIGATIONS

The asset retirement obligations represent the legal and contractual obligations associated with the eventual closure and reclamation of the Corporation's mine and mill operations. The obligations consist of costs associated with reclamation, environmental monitoring and the removal of tangible assets. As at June 30, 2022, the discount rate used was 3.7% (December 31, 2021 – 1.6%) and the inflation rate was 4.0 % (December 31, 2021 – 2.5%).

The following table reflects the continuity of asset retirement obligations for the six months ended June 30, 2022:



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in thousands of Canadian dollars, unless otherwise indicated)

| For the six months ended June 30, | 2022 |
|--|-----------------|
| Opening balance | \$31,136 |
| Accretion expense | 329 |
| Additions | 250 |
| Change in discount and inflation rates | (203) |
| Spending on progressive reclamation | (441) |
| Change due to foreign exchange translation | (1,042) |
| Closing balance | \$30,029 |

13. SHARE CAPITAL

The Corporation is authorized to issue an unlimited amount of common shares.

During the six month ended June 30, 2022, the Corporation closed a bought deal financing of 14,375,000 common shares at a price of \$4.80 per common share, for gross proceeds of \$69 million, including the exercise in full of the Underwriters' over-allotment option. Issue costs with respect to the bought deal totaled \$3.9 million of which \$0.2 million were included in accounts payable and accrued liabilities as at June 30, 2022.

During the six months ended June 30, 2022, the Corporation issued 297,718 shares with a value of AUD\$1.5 million (\$1.4 million) in respect of the Spargos acquisition. The obligation for the payment was recognized as part of the Spargos acquisition in 2020 with the shares issuable upon the commencement of gold production (note 8).

14. SHARE INCENTIVE PLANS

The Corporation has a share incentive plan, amended and restated as of June 16, 2022 (the "Plan"), that provides for the granting of share options and other equity-based awards including share appreciation rights, restricted share units ("RSUs"), deferred share units ("DSUs"), performance share units ("PSU's) to key officers, directors, employees and consultants of the Corporation. The maximum number of common shares issuable upon the exercise of share options and the redemption of other equity-based awards issued under the Plan may not exceed, in aggregate, 7.5% of the issued and outstanding common shares from time to time. Further, the maximum number of shares issuable on the redemption of RSUs, PSUs and DSUs issued under the Plan may not exceed, in aggregate, 5.5% of the issued and outstanding common shares from time to time.

Share Purchase Options

The following table reflects the continuity of share purchase options for the six months ended June 30, 2022:



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

| | Number of options | Weighted Average Exercise Price |
|----------------------------|-------------------|---------------------------------|
| As at December 31, 2021 | 2,507,402 | 1.89 |
| Exercised | (903,940) | 1.91 |
| As at June 30, 2022 | 1,603,462 | \$1.89 |

For options exercised during the six months ended June 30, 2022, the related weighted average share price at the time of exercise was \$5.72 per share. There were no options granted during the six months ended June 30, 2022.

As at June 30, 2022, the Corporation had the following share purchase options outstanding:

| Exercise Price Range | Options Outstanding | | | Options Exercisable | | |
|----------------------|---------------------|---|---------------------------------|---------------------|---|---------------------------------|
| | Number of Options | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number of Options | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price |
| \$0.45-\$1.20 | 514,197 | 0.7 | \$0.95 | 514,197 | 0.7 | \$0.95 |
| \$1.21-\$1.70 | 282,961 | 2.5 | \$1.52 | 177,778 | 2.5 | \$1.52 |
| \$1.71-\$2.43 | 299,250 | 1.8 | \$2.09 | 226,289 | 1.7 | \$2.20 |
| \$2.44-\$2.75 | 168,388 | 1.4 | \$2.52 | 168,388 | 1.4 | \$2.52 |
| \$2.76-\$3.95 | 338,666 | 1.9 | \$3.11 | 288,666 | 1.7 | \$2.97 |
| | 1,603,462 | 1.5 | \$1.89 | 1,375,318 | 1.4 | \$1.85 |

During the six months ended June 30, 2022, the Corporation recorded share-based payments expense related to share options of \$0.1 million (2021 - \$0.3 million).

Restricted Share Units

The following table reflects the continuity of restricted share units for six months ended June 30, 2022:

| | Number of Restricted Share Units |
|----------------------------|----------------------------------|
| As at December 31, 2021 | 3,228,776 |
| Granted | 98,759 |
| Settled for shares | (157,723) |
| Settled for cash | (87,039) |
| Forfeited | (49,452) |
| As at June 30, 2022 | 3,033,321 |

As at June 30, 2022, the weighted average remaining contractual life of the outstanding restricted share units was 1.2 years and 753,192 restricted share units were vested with a remaining contractual life of 0.7 years.

Included in the 3,033,321 restricted share units outstanding as at June 30, 2022, are 1,470,287 units that can be settled for cash or equity at the option of the holder. With respect to these units, the Corporation has



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in thousands of Canadian dollars, unless otherwise indicated)

a liability of \$4.2 million (December 31, 2021 - \$5.7 million) to recognize the estimated fair value as at June 30, 2022 of the restricted share units in share incentive plan obligations on the statement of financial position.

With respect to the restricted share units which can only be settled for shares, during the six months ended June 30, 2022, the Corporation recorded share-based payments expense of \$1.3 million (2021 - \$0.6 million).

Performance Share Units

The following table reflects the continuity of performance share units for six months ended June 30, 2022:

| | Number of Performance Share Units |
|----------------------------|--------------------------------------|
| As at December 31, 2021 | 1,492,117 |
| Forfeited | (49,437) |
| As at June 30, 2022 | 1,442,680 |

As at June 30, 2022, the weighted average remaining contractual life of the outstanding performance share units is 1.7 years and no awards were vested.

During the six months ended June 30, 2022, the Corporation recorded share-based payments expense related to performance share units of \$1.5 million (2021 - \$0.5).

Deferred Share Units

The following table reflects the continuity of deferred share units for six months ended June 30, 2022:

| | Number of Deferred Share Units |
|----------------------------|-----------------------------------|
| As at December 31, 2021 | 419,625 |
| Granted | 78,100 |
| Settled for cash | (82,558) |
| As at June 30, 2022 | 415,167 |

As at June 30, 2022, all 415,167 deferred share units were vested.

Included in deferred share units outstanding at June 30, 2022, are 362,358 units that can be settled for cash or equity at the option of the holder. The Corporation has a liability of \$1.2 million (December 31, 2021 - \$1.8 million) to recognize the estimated fair value of these units as at June 30, 2022 in share incentive plan obligations in the consolidated statement of financial position.

With respect to the deferred share units which can only be settled for shares, during the six months ended June 30, 2022, the Corporation recorded share-based payments expense of \$0.3 million (2021 - \$nil).

Summary

The total expense recognized from share-based compensation transactions is shown in the following table:



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in thousands of Canadian dollars, unless otherwise indicated)

| For the six months ended June 30, | 2022 | 2021 |
|-----------------------------------|----------------|----------------|
| Share purchase options | \$109 | \$294 |
| Deferred share units | 85 | 349 |
| Restricted share units | 1,185 | 2,558 |
| Share appreciation rights | (36) | 2 |
| Performance share units | 1,497 | 1,045 |
| | \$2,840 | \$4,248 |

15. FINANCE EXPENSE, NET

| For the periods ended June 30, | Three months ended, | | Six months ended, | |
|--------------------------------|---------------------|--------------|-------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest expense | \$703 | \$749 | \$1,383 | \$1,489 |
| Accretion | 451 | 249 | 861 | 626 |
| Interest income | (84) | (33) | (129) | (69) |
| | \$1,070 | \$965 | \$2,115 | \$2,046 |

16. NET EARNINGS PER SHARE

Basic net earnings per share has been calculated using the weighted average number of common shares and common share equivalents issued and outstanding during the periods. Share purchase options and other equity awards are reflected in diluted earnings per share by application of the treasury stock method. There are no dilutive instruments during the periods ended June 30, 2022 because the Corporation was in a loss position. The following table details the weighted average number of outstanding common shares for the purpose of computing basic and diluted earnings per common share for the following periods:

| For the periods ended June 30, | Three months ended, | | Six months ended, | |
|--|---------------------|--------------------|--------------------|--------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Weighted average common shares - basic | 157,838,797 | 146,801,153 | 156,149,243 | 146,529,214 |
| Adjustments for dilutive instruments: | | | | |
| Share purchase options | - | 2,120,318 | - | 2,133,417 |
| Restricted share units | - | 1,717,750 | - | 1,743,718 |
| Deferred share units | - | 305,104 | - | 290,798 |
| Warrants | - | 2,210,460 | - | 2,015,037 |
| Weighted average common shares - diluted | 157,838,797 | 153,154,785 | 156,149,243 | 152,712,184 |

17. FINANCIAL RISK FACTORS

The Corporation applies a hierarchy to classify valuation methods used to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in thousands of Canadian dollars, unless otherwise indicated)

- Level 2: Valuation techniques use significant observable inputs, directly or indirectly, or valuations are based on quoted prices for similar instruments; and
- Level 3: Valuation techniques use significant inputs that are not based on observable market data (unobservable inputs).

The carrying values of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their fair values due to their relatively short periods to maturity. With respect to long-term debt balances (note 9), carrying values and fair values are as follows:

| As at | June 30, 2022 | | December 31, 2021 | |
|---------------------------------------|----------------|------------|-------------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Bridge loan (level 2) | \$29,763 | \$30,000 | \$29,647 | \$30,000 |
| Morgan Stanley Installments (level 3) | \$1,566 | \$1,624 | \$3,010 | \$3,195 |

18. SEGMENTED INFORMATION

Each individual operating mine or asset group is considered to be a reportable operating segment for financial reporting purposes. Results of operating segments are reviewed by the Corporation's chief operating decision maker to make decisions about resources to be allocated to the segments and to assess their performance.

The Corporation has production and exploration and evaluation activities from its two operating segments in Australia. The following is a summary of the reported amounts by segment:

For the three months ended June 30, 2022

| | Beta Hunt Gold/Nickel Mine Australia | HGO Gold Mine/Mill Australia | Intersegment Elimination (1) | All Other | Total |
|--|---|---------------------------------------|------------------------------------|-----------|----------|
| Revenues | \$46,486 | \$34,223 | \$(7,100) | \$- | \$73,609 |
| Production and processing costs | 24,475 | 22,718 | (7,100) | - | 40,093 |
| Royalty expense | 3,535 | 651 | - | - | 4,186 |
| General and administrative: share-based payments | (185) | (185) | - | (2,754) | (3,124) |
| General and administrative: other | 1,418 | 1,488 | - | 3,110 | 6,016 |
| Depreciation and amortization | 3,478 | 10,211 | - | - | 13,689 |
| Sustainability initiatives | - | - | - | 1,181 | 1,181 |
| Operating earnings (loss) | \$13,765 | (\$660) | - | (\$1,537) | \$11,568 |

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2022 and 2021
(Expressed in thousands of Canadian dollars, unless otherwise indicated)

For the six months ended June 30, 2022

| | Beta Hunt Gold/Nickel Mine Australia | HGO Gold Mine/Mill Australia | Intersegment Elimination (1) | All Other | Total |
|--|---|---------------------------------------|------------------------------------|-----------|-----------|
| Revenues | \$87,482 | \$64,172 | \$(12,773) | \$- | \$138,881 |
| Production and processing costs | 47,214 | 48,088 | (12,773) | - | 82,529 |
| Royalty expense | 6,434 | 1,386 | - | - | 7,820 |
| General and administrative: share-based payments | 656 | 657 | - | 1,527 | 2,840 |
| General and administrative: other | 3,056 | 3,134 | - | 6,629 | 12,819 |
| Depreciation and amortization | 6,829 | 15,614 | - | - | 22,443 |
| Sustainability initiatives | - | - | - | 1,181 | 1,181 |
| Operating earnings (loss) | \$23,293 | \$(4,707) | - | (\$9,337) | \$9,249 |

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.

As at June 30, 2022

| | | | | | |
|--|-----------|-----------|-----|--------|-----------|
| Property, plant and equipment and mineral property interests | \$135,789 | \$186,382 | \$- | \$132 | \$322,303 |
| Total assets | 147,596 | 302,389 | - | 26,924 | 476,909 |

As at December 31, 2021

| | | | | | |
|--|-----------|-----------|-----|--------|-----------|
| Property, plant and equipment and mineral property interests | \$118,271 | \$182,151 | \$- | \$258 | \$300,680 |
| Total assets | 130,758 | 262,953 | - | 42,622 | 436,333 |

For the three months ended June 30, 2021

| | Beta Hunt Gold/Nickel Mine Australia | HGO Gold Mine/Mill Australia | Intersegment Elimination (1) | All Other | Total |
|--|---|---------------------------------------|------------------------------------|-----------|----------|
| Revenues | \$52,807 | \$23,053 | \$(6,290) | \$- | \$69,570 |
| Production and processing costs | 19,677 | 16,183 | (6,290) | - | 29,570 |
| Royalty expense | 3,833 | 523 | - | - | 4,356 |
| General and administrative: share-based payments | 345 | 345 | - | 2,268 | 2,958 |
| General and administrative: other | 1,457 | 1,724 | - | 2,332 | 5,513 |
| Depreciation and amortization | 3,975 | 3,743 | - | - | 7,718 |
| Operating earnings (loss) | \$23,520 | \$535 | - | (\$4,600) | \$19,455 |

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.



Notes to the Unaudited Condensed Interim Consolidated Financial Statements
 For the three and six months ended June 30, 2022 and 2021
 (Expressed in thousands of Canadian dollars, unless otherwise indicated)

For the six months ended June 30, 2021

| | Beta Hunt Gold/Nickel Mine Australia | HGO Gold Mine/Mill Australia | Intersegment Elimination (1) | All Other | Total |
|--|---|---------------------------------------|------------------------------------|-----------|-----------|
| Revenues | \$96,874 | \$45,046 | \$(13,066) | \$- | \$128,854 |
| Production and processing costs | 40,147 | 31,790 | (13,066) | - | 58,871 |
| Royalty expense | 6,937 | 1,174 | - | - | 8,111 |
| General and administrative: share-based payments | 570 | 570 | - | 3,108 | 4,248 |
| General and administrative: other | 2,258 | 2,522 | - | 5,603 | 10,383 |
| Depreciation and amortization | 8,012 | 6,989 | - | - | 15,001 |
| Operating earnings (loss) | \$38,950 | \$2,001 | - | (\$8,711) | \$32,240 |

1) Eliminates the revenues of HGO in respect of toll processing services provided to Beta Hunt Gold Mine.

19. SUBSEQUENT EVENTS

On May 22, 2022, the Corporation entered into a binding agreement to acquire the operating, fully permitted 1.0 Mtpa Lakewood Mill gold processing facility located near Kalgoorlie, Western Australia, approximately 60 kilometres from the Beta Hunt Mine for a purchase price of A\$80 million (A\$70 million payable in cash and A\$10 million in shares of the Corporation). The transaction closed on July 27, 2022, at which time the Corporation paid A\$70 (\$62.3 million) in cash net of A\$0.5 million (\$0.4 million) paid as a deposit with the vendor and issuing 2.1 million Karora shares to satisfy the A\$10 million share portion., which shares will be subject to a customary hold period under applicable securities laws and other contractual restrictions. The purchase of Lakewood Mill will be recognised as an asset acquisition and as such the transaction costs are capitalised to the purchase price of the assets acquired. The Corporation incurred \$2.1 million of costs related to the acquisition, included in property, plant and equipment and mineral property interests in the statement of financial position as at June 30, 2022.

On July 14, 2022, the Corporation closed an arrangement to refinance its Bridge Loan with a lower-cost senior secured \$80 million Credit Agreement with Macquarie Bank Limited ("Macquarie"). The Credit Agreement provides for a \$40 Million term loan and a \$40 million revolving credit facility, both bearing an interest rate of Canadian Dealer Offered Rate +4.5% per annum on the drawn principal and standby fee of 1.5% per annum on the undrawn revolving credit facility. The term of the Credit Agreement is to June 28, 2024 with an option for annual renewal thereafter. The proceeds of the Credit Agreement were used to refinance the Corporation's existing \$30 million Bridge facility and will be used for general working capital purposes.

On July 15, 2022, the Corporation received approval of the TSX for a normal course issuer bid (the "Bid") to purchase up to no more than 8,492,971 of the Corporation's issued and outstanding common shares. Purchases under the Bid may commence on July 20, 2022. The Bid will expire no later than July 19, 2023. Purchases of common shares will be made through the facilities of the TSX in accordance with its rules. Purchases may also be made through alternative Canadian trading systems. The Corporation has not made any purchases of its common shares during the past twelve months.