



Sombrero Resources Inc.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited)

Sombrero Resources Inc.

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

	As at March 31, 2021	As at December 31, 2020
Assets		
Current assets:		
Cash	\$ 6,902,781	\$ 7,850,131
Accounts receivable	6,527	7,308
Prepaid expenses and deposits	163,597	144,909
	7,072,905	8,002,348
Non-current assets:		
Mineral property interests (Note 3)	5,174,345	5,053,193
Total assets	\$ 12,247,250	\$ 13,055,541
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 914,990	\$ 834,616
Total liabilities	914,990	834,616
Equity:		
Share capital (Note 4)	13,288,433	13,288,433
Accumulated other comprehensive loss	(231,038)	(175,082)
Deficit	(1,725,135)	(892,426)
Total equity	11,332,260	12,220,925
Total liabilities and equity	\$ 12,247,250	\$ 13,055,541

Going concern (Note 1(d))

Approved on behalf of the Board of Directors:

"Ivan Bebek"

President, Chief Executive Officer and Director

"Jeffrey Mason"

Director

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

Sombrero Resources Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
Unaudited (Expressed in Canadian dollars)

	Three months ended March 31,	
	2021	2020
Operating expenses:		
Exploration and evaluation costs	\$ 398,423	\$ 394,609
Fees, salaries and other employee benefits	205,364	-
Legal and professional fees	104,652	11,950
Marketing and investor relations	35,323	-
Office and administration	63,881	32,122
Project investigation costs	20,377	11,479
	828,020	450,160
Other expenses		
Foreign exchange loss, net	4,689	5,404
Loss for the period	\$ 832,709	\$ 455,564
Other comprehensive loss (income)		
Unrealized currency loss (gain) on translation	55,956	(104,295)
Comprehensive loss for the period	\$ 888,665	\$ 351,269
Basic and diluted loss per share (Note 4(c))	\$ 0.01	\$ n/a ¹
Basic and diluted weighted average number of shares outstanding (Note 4(c))	112,340,434	n/a ¹

¹ Sombrero Resources Inc. was incorporated on July 23, 2020, loss per share information for the three months ended March 31, 2020 is not applicable as Sombrero Resources Inc. did not exist as of March 31, 2020.

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

Sombrero Resources Inc.

Condensed Consolidated Interim Statements of Changes in Equity
Unaudited (Expressed in Canadian dollars, except share amounts)

	Attributable to common shareholders of the Company					Net parent investment (Note 2(b))	Total
	Number of common shares	Share capital	Other comprehensive loss	Deficit			
Balance at December 31, 2019	-	\$ -	\$ -	\$ -	\$ -	\$ 889,652	\$ 889,652
Cash contributions from parent	-	-	-	-	-	824,929	824,929
Non-cash contributions from parent (Note 5(a))	-	-	-	-	-	55,307	55,307
Other comprehensive loss	-	-	-	-	-	104,295	104,295
Net loss	-	-	-	-	-	(455,564)	(455,564)
Balance at March 31, 2020	-	\$ -	\$ -	\$ -	\$ -	\$ 1,418,619	\$ 1,418,619
Balance at December 31, 2020	112,340,434	\$ 13,288,433	\$ (175,082)	\$ (892,426)	\$ -	\$ -	\$ 12,220,925
Other comprehensive loss	-	-	(55,956)	-	-	-	(55,956)
Net loss	-	-	-	(832,709)	-	-	(832,709)
Balance at March 31, 2021	112,340,434	\$ 13,288,433	\$ (231,038)	\$ (1,725,135)	-	-	\$ 11,332,260

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

Sombrero Resources Inc.

Condensed Consolidated Interim Statements of Cash Flows
Unaudited (Expressed in Canadian dollars)

	Three months ended March 31	
	2021	2020
Operating activities:		
Loss for the period	\$ (832,709)	\$ (455,564)
Non-cash transactions:		
Share-based compensation (Note 5(a))	-	55,307
Unrealized foreign exchange (gain) loss	10,930	(4,960)
Changes in non-cash working capital:		
Accounts receivable	781	-
Prepaid expenses and deposits	(18,688)	(4,871)
Accounts payable and accrued liabilities	80,374	(363,856)
Cash used in operating activities	(759,312)	(773,944)
Investing activities:		
Mineral property additions (Note 3)	(185,041)	(1,044)
Cash used in investing activities	(185,041)	(1,044)
Financing activities:		
Contributions from parent	-	824,929
Cash provided by financing activities	-	824,929
Effect of foreign exchange rates on changes on cash	(2,997)	4,960
Increase (decrease) in cash	(947,350)	54,901
Cash, beginning of the period	7,850,131	23,751
Cash, end of the period	\$ 6,902,781	\$ 78,652

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

Sombrero Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited (Expressed in Canadian dollars)

Three months ended March 31, 2021 and 2020

1. Corporate information, transaction arrangement, nature of operations, and going concern

(a) Corporate information

Sombrero Resources Inc. (the “Company” or “Sombrero”) was incorporated under the British Columbia Business Corporations Act on July 23, 2020. Sombrero is an unlisted reporting issuer in the province of British Columbia, Alberta, and Ontario and its head office and principal address is located at 1199 West Hastings Street, Suite 600, Vancouver, British Columbia, Canada, V6E 3T5.

The Company is principally engaged in the acquisition, exploration, and development of mineral property interests with a focus on Peru.

(b) Transaction arrangement

On October 9, 2020, Auryn Resources Inc. (“Auryn”) – now known as Fury Gold Mines Limited (“Fury Gold”) and Eastmain Resources Inc. (“Eastmain”) closed the transaction to combine their Canadian mineral businesses after Fury Gold spun out its Peruvian subsidiaries into two newly formed British Columbia subsidiaries, distributed to its shareholders the common shares of these subsidiaries, including Sombrero and completed a concurrent financing (collectively, the “Transaction”). Refer to Note 1(b) of the audited consolidated financial statements for the year ended December 31, 2020 for a description of the Transaction.

(c) Nature of operations

The Company’s primary asset is the Sombrero project consisting of a district-scale land position totaling over 130,000 hectares that are owned or optioned (Note 3). The Company has not yet determined whether the property contains mineral reserves where extraction is both technically feasible and commercially viable. Sombrero operates in one reportable operating segment, being the acquisition and exploration of mineral resource properties in Peru.

As a normal part of the exploration process, Sombrero seeks to enter into access and use agreements with local communities surrounding its projects. The process of securing such agreements requires achieving local community consensus and can be challenging, however positive dialogue continues with the communities and management believes that agreements will continue to be maintained and updated, although there can be no certainty at this time about their timing or extent. The Company continues to have regular communications with the communities and is actively working towards securing access to other parts of the project area.

(d) Going concern

As at March 31, 2021, the Company has net working capital of \$6,157,915 while it incurred a loss for the period of \$832,709 for the three months ended March 31, 2021. The Company has incurred operating losses to date and does not generate cash flows from operations to support its activities. With no source of operating cash flow, there is no assurance that sufficient funding will be available to conduct further exploration and development of its mineral properties. The ability to continue as a going concern remains dependent upon Sombrero’s ability to obtain the financing necessary to continue to fund its mineral properties, the realization of future profitable production, proceeds from the disposition of its mineral interests, and/or other sources. These conditions create a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

Management expects its cash-on-hand will be sufficient to pursue its operational activities for the next twelve months.

Sombrero Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited (Expressed in Canadian dollars)

Three months ended March 31, 2021 and 2020

These condensed consolidated interim financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of presentation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company’s most recent audited consolidated financial statements for the year ended December 31, 2020, except as follows:

- Interest Rate Benchmark Reform – IBOR ‘phase 2’ (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). This amendment had no impact on the condensed interim consolidated financial statements.

These condensed consolidated interim financial statements were approved and authorized for issuance on May 17, 2021, by the Board of Directors.

(b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis.

Common control transaction

Pursuant to the Transaction, the Company acquired a 100% ownership interest in Sombrero Peru in the fourth quarter of 2020. Sombrero’s acquisition of the Peruvian subsidiary is a business combination involving entities under common control in which all of the combining entities were ultimately controlled by Fury Gold, both before and after the Transaction was completed. Business combinations involving entities under common control are outside the scope of IFRS 3 – Business Combinations. The Company accounted for this common control transaction using book value accounting based on the book values recognized in the financial statements of the underlying subsidiaries. This results in the condensed consolidated interim financial statements reflecting the combination as if it had occurred from the beginning of the period that the entities were under common control, regardless of the actual date the common control transaction closed.

Net parent investment

The comparative financial information for 2020 has been prepared on a combined basis. An analysis of reserves and share capital is shown for 2021 and 2020. The amounts which reflect the carrying value of investments in the combined entities prior to the Transaction are disclosed as “Net parent investment”. Since the Company was not a legal entity up to July 23, 2020, the combined entities have no historical capital structure. Consequently, loss per share as required by IAS 33 – Earnings per Share has not been presented for 2020. The amounts reflected as cash and non-cash contributions from parent in the condensed consolidated interim statements of changes in equity refer to cash and non-cash contributions to the Company from Fury Gold.

Sombrero Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited (Expressed in Canadian dollars)

Three months ended March 31, 2021 and 2020

(c) Basis of consolidation

i. Subsidiaries

Subsidiaries are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns. These condensed consolidated interim financial statements reflect adjustments in all historical periods as if the subsidiaries had always been controlled by the Company.

The condensed consolidated interim financial statements include the financial statements of the Company and its subsidiary as follows:

Subsidiary	Place of incorporation	Functional Currency	Beneficial Interest
Sombrero Minerales S.A.C.	Peru	USD	100%

ii. Transactions eliminated upon consolidation

Intercompany balances and transactions have been eliminated on consolidation.

(d) Functional and presentation currency

The Company's functional and presentation currency is the Canadian dollar. These condensed consolidated interim financial statements are presented in Canadian dollars, unless otherwise noted. Amounts denominated in USD are denoted as US\$.

(e) Critical accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the condensed consolidated interim financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates. The Company's critical accounting judgements and estimates were presented in Note 2 of the audited annual consolidated financial statements for the year ended December 31, 2020, and have been consistently applied in the preparation of these condensed consolidated interim financial statements. No new estimates and judgements were applied for the period ended March 31, 2021.

Sombrero Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited (Expressed in Canadian dollars)

Three months ended March 31, 2021 and 2020

3. Mineral property interests

The Company's Sombrero copper-gold project covers approximately 130,000 hectares that are owned or optioned in Southern Peru. In March 2021, the Company entered into a new option arrangement with S.M.R.L. Ximenita de Casma ("Ximenita") regarding the "Soldaduyocc" concession in Peru for which an initial option payment of US\$79,500 has been paid. This concession is not part of the group of concessions in the Sombrero area.

A continuity of the Company's mineral property interests is as follows:

	Sombrero	Other	Total
Balance as at December 31, 2019	\$ 1,331,097	\$ -	\$ 1,331,097
Mineral property additions	3,945,212	-	3,945,212
Currency translation adjustment	(223,116)	-	(223,116)
Balance as at December 31, 2020	\$ 5,053,193	\$ -	\$ 5,053,193
Mineral property additions	84,441	100,600	185,041
Currency translation adjustment	(63,889)	-	(63,889)
Balance as at March 31, 2021	\$ 5,073,745	\$ 100,600	\$ 5,174,345

The Company originally acquired the Sombrero land positions through a combination of staking and option agreements, which are outlined as follows:

Ownership	Registered Owner	Number of Claims	Hectares
Direct	Sombrero Minerales S.A.C.	152	135,600
Molleacruz Option	Ingrid Prado Pinto	4	1,300
Aceros Option	Corporacion Aceros Arequipa S.A.	3	600
Total		159	137,500

i) Molleacruz Option

On June 22, 2018, the Company entered an option agreement (the "Molleacruz Option") giving the Company the right to acquire a 100% interest in the Molleacruz concessions which are located in the northern area of the Sombrero project. Under the Molleacruz Option, the Company may acquire a 100% interest, subject to a 0.5% net smelter return ("NSR"), through a combination of work expenditures and cash payments as detailed below.

Due Dates	Payment & Work Expenditure Status	Property Payments (in '000 US\$)	Work Expenditures (in '000 US\$)
Effective Date (June 22, 2018)	Completed	\$ 50	\$ -
June 22, 2019	Deferred	50	150
June 22, 2020	Deferred	100	150
June 22, 2021		200	500
June 22, 2022		300	700
June 22, 2023		900	1,500
Total		\$ 1,600	\$ 3,000

Sombrero Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited (Expressed in Canadian dollars)

Three months ended March 31, 2021 and 2020

Effective May 20, 2019, the Company formally declared the existence of a force majeure event under the Mollecruz Option thereby deferring the Company's obligation to make the June 2019 and 2020 property payments and any subsequent property payments and work expenditures for a maximum of 24 months from the declaration date.

On March 1, 2021, the Company agreed with the owner to extend the force majeure declaration for another 24 months and paid US\$50,000 as consideration. As a result, the Company is able to continue deferral of the June 2019 and 2020 property payments and any subsequent property payments and work expenditures until May 20, 2023.

To date, the Company has not been able to reach an access agreement with the local community in order to commence work in the region but has continued to have open communications with the community and continues to negotiate in good faith to obtain access to the property.

ii) Aceros Option

On December 13, 2018, the Company entered a series of agreements (the "Aceros Option") with Corporacion Aceros Arequipa S.A. ("Aceros") giving the Company the right to option three key mineral concessions located within the Company's Sombrero project. If the Aceros Option is exercised, a joint venture would be formed in which the Company would hold an 80% interest (Aceros – 20%). The joint venture would combine the 520-hectare Aceros concessions plus 4,600 hectares of the Company's Sombrero land position.

During the fourth quarter of 2020, the Company and Aceros agreed to amend the Aceros Option to defer certain option payments and work commitments. Below is a schedule of work expenditures and cash payments required under the amendment of which US\$0.5 million of work expenditures have been completed to date.

Due Dates	Payment & Work Expenditure Status	Property Payments (in '000 US\$)	Work Expenditures (in '000 US\$)
December 13, 2018	Completed	\$ 140	\$ -
December 13, 2019	Completed	60	150
June 30, 2021		250	500
December 13, 2021		350	1,500
December 13, 2022		-	3,000
Total		\$ 800	\$ 5,150

iii) Soldaduyocc Option

On March 31, 2021, the Company entered into an Option Agreement with Ximenita to acquire the Soldaduyocc concession in Peru. Under the terms of the Agreement, Sombrero Minerales S.A.C., a wholly owned subsidiary of Sombrero, has the option to acquire the Soldaduyocc concession for US\$199,500. An initial payment of US\$79,500 has been paid on execution of the Agreement, and the option is granted for an 18-month period until September 16, 2022, at which time the final option payment of US\$120,000 is payable to exercise the option and acquire the concession in full. Should the option be exercised, a 0.5% net smelter return ("NSR") remains on the concession, payable on all minerals extracted and commercialized.

Sombrero Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements
Unaudited (Expressed in Canadian dollars)
Three months ended March 31, 2021 and 2020

4. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Common share issuances

There were no common share issuances during the three months ended March 31, 2021.

(c) Loss per share

As Fury Gold was the parent company of Sombrero prior to the Transaction, basic and diluted loss per share information for the three months ended March 31, 2020 is not applicable.

	Three months ended March 31, 2021
Net loss	\$832,709
Weighted average number of shares outstanding	112,340,434
Basic and diluted loss per share	\$ 0.01

5. Related party balances and transactions

All transactions with related parties have occurred in the normal course of operations. All amounts are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

(a) Related party transactions

	Three months ended March 31,	
	2021	2020
Universal Mineral Services Ltd.		
Exploration and evaluation costs	\$ 4,077	\$ 66,371
Fees, salaries and other employee benefits	55,942	-
Legal and professional fees	5,413	-
Marketing and investor relations	6,587	-
Office and administration	41,133	-
Project investigation costs	3,028	-
Total transactions for the year	\$ 116,180	\$ 66,371

Universal Mineral Services Ltd., ("UMS") is a private company with two directors and two officers in common with Sombrero. UMS provides geological, financial and transactional advisory services as well as administrative services to the Company on an ongoing, cost recovery basis. Having these services available through UMS, on an as needed basis, allows the Company to maintain a more efficient and cost-effective corporate overhead structure by hiring fewer full-time employees and engaging outside professional advisory firms less frequently. The agreement has an indefinite term and can be terminated by either party upon providing due notice.

Sombrero Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited (Expressed in Canadian dollars)

Three months ended March 31, 2021 and 2020

During the three months ended March 31, 2021, \$nil (March 31, 2020 – \$55,307) of share-based compensation and \$nil (March 31, 2020 - \$132,067) of exploration and evaluation expenditures from Fury Gold were allocated to the Company. During the three months ended March 31, 2020, Fury Gold did not grant any share options.

Fury Gold uses the fair value method of accounting for all share-based payments. The fair value of the share-based options granted up to the date of the Transaction were estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	Three months ended March 31, 2020
Risk-free interest rate	1.78%
Expected dividend yield	Nil
Share price volatility	64%
Expected forfeiture rate	0%
Expected life in years	4.52

The risk-free interest rate assumption is based on the Government of Canada benchmark bond yields and treasury bills with a remaining term that approximates the expected life of the share-based options. The expected volatility assumption is based on the historical and implied volatility of Fury Gold's common shares. The expected forfeiture rate and the expected life in years are based on historical trends.

After the close the Transaction, there was no further allocation of stock-based compensation and exploration and evaluation expenditures. The Company did not have any outstanding share options at March 31, 2021.

(b) Related party balances

As at March 31, 2021, \$52,408 (December 31, 2020 - \$40,196) was included in accounts payable, and \$100,000 (December 31, 2020 - \$50,000) was in prepaid expenses and deposits relating to transactions with UMS.

There was \$nil (December 31, 2020 - \$176,000) included in accounts payable and accrued liabilities owed to Fury Gold related to the closing cash pursuant to the Transaction.

(c) Key management compensation

In addition to the transactions disclosed above, the Company provided the following compensation to key management members, being its executives and directors:

	Three months ended March 31, 2021
Salary and benefits provided to executives	\$ 144,160
Directors fees paid to non-executive directors	30,805
	\$ 174,965

Sombrero Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited (Expressed in Canadian dollars)

Three months ended March 31, 2021 and 2020

6. Financial instruments

The Company's financial instruments consist of cash, prepaid expenses and deposits, accounts receivable, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The following summarizes fair value hierarchy under which the Company's financial instruments are valued:

Level 1 – fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and

Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

As at March 31, 2021 and December 31, 2020 there were no financial instruments measured at fair value.

The Company's financial instruments are exposed to credit risk and liquidity risk. As at March 31, 2021, the primary risks were as follows:

Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company has working capital of \$6,157,915 as at March 31, 2021 (December 31, 2020 - \$7,167,732). The Company held cash of \$6,902,781 at March 31, 2021 (December 31, 2020 - \$7,850,131), which is entirely unrestricted.

Market risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The most significant market risk to which the Company is exposed is currency risk:

Currency risk

The Company is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency (the functional currency of Sombrero Minerales S.A.C. is the US dollar). As at March 31, 2021 and December 31, 2020, the Company's foreign currency exposure relates primarily to cash, prepaid expenses and deposits, and accounts payable and accrued liabilities that are in majority either US dollars or Peruvian soles.

The currency risk exposure for financial instruments denominated in foreign currencies is as follows:

	March 31, 2021	December 31, 2020
Financial assets	\$ 208,851	\$ 409,948
Financial liabilities	(710,596)	(569,930)
Net exposure	\$ (501,745)	\$ (159,982)

A 10% increase or decrease in either the US dollars or Peruvian soles exchange rate would not have a material impact on the Company's net loss.

Sombrero Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited (Expressed in Canadian dollars)

Three months ended March 31, 2021 and 2020

7. Segmented information

The Company operates as one operating segment, being the acquisition, exploration, and development of mineral resource properties.

Sombrero was not subjected to restrictions on its cash as at March 31, 2021 and December 31, 2020.

8. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and development of resource properties, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The capital of the Company is determined as follows:

	March 31, 2021	December 31, 2020
Equity	\$ 11,332,260	\$ 12,220,925
Less cash	(6,902,781)	(7,850,131)
	\$ 4,429,479	\$ 4,370,794

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or debt, acquire or dispose of assets or adjust the amount of cash and investments.

In order to maximize ongoing development efforts, the Company does not pay out dividends, does not have any long-term debt and is not subject to any externally imposed capital requirements.

The Company currently has sufficient working capital and is able to meet its ongoing current obligations as they become due. However, the Company will likely require additional capital in the future to meet its company objectives, being the acquisition and exploration of mineral properties. Future liquidity will depend upon the Company's ability to arrange additional debt or equity financing, as the Company relies on equity financings to fund its exploration and corporate activities.