Coppernico Metals Inc.

(formerly Sombrero Resources Inc.)

Consolidated Financial Statements

For the years ended December 31, 2021, and 2020

Deloitte.

Deloitte LLP
939 Granville Street
Vancouver BC V6Z 1L3
Canada

Tel: 604-669-4466
Fax: 778-374-0496
www.deloitte.ca

Independent Auditor's Report

To the Shareholders and the Board of Directors of
Coppernico Metals Inc.

Opinion

We have audited the consolidated financial statements of Coppernico Metals Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company had no operating revenues and incurred a net loss of $3.2 M during the year ended December 31, 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
March 30, 2022

Coppernico Metals Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		As at December 31, 2021		As at December 31, 2020
Assets				
Current assets:				
Cash and cash equivalents	**$**	**2,965,269**	$	7,850,131
Accounts receivable		**20,175**		7,308
Prepaid expenses and deposits (Note 6 (b))		**512,668**		144,909
		3,498,112		8,002,348
Non-current assets:				
Mineral property interests (Note 4)		**6,370,754**		5,053,193
Total assets	**$**	**9,868,866**	$	13,055,541
Liabilities and Equity				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**837,468**	$	834,616
Total liabilities		**837,468**		834,616
Equity:				
Share capital (Note 5)		**13,288,433**		13,288,433
Accumulated other comprehensive loss		**(171,304)**		(175,082)
Deficit		**(4,085,731)**		(892,426)
Total equity		**9,031,398**		12,220,925
Total liabilities and equity	**$**	**9,868,866**	$	13,055,541

Going concern (Note 1(d)); Commitments (Note 6 (a))

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 consolidated financial statements.

Coppernico Metals Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended December 31, 2021	Year ended December 31, 2020
Operating expenses:		
Exploration and evaluation	**$ 1,611,685**	$ 2,008,036
Fees, salaries and other employee benefits	**776,369**	252,983
Legal and professional	**275,927**	120,339
Marketing and investor relations	**136,608**	17,234
Office and administration	**282,809**	134,576
Project investigation	**39,135**	41,421
Regulatory, transfer agent	**48,703**	-
	3,171,236	2,574,589
Other expenses		
Foreign exchange loss	**22,069**	23,897
Loss for the year	**$ 3,193,305**	$ 2,598,486
Other comprehensive loss (income)		
Unrealized currency loss (income) on translation	**(3,778)**	175,082
Comprehensive loss for the year	**$ 3,189,527**	$ 2,773,568
Basic and diluted loss per share (Note 5(c))	**$ 0.03**	$ 0.02
Basic and diluted weighted average number of shares (Note 5(c))	**112,340,434**	112,340,434

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

Coppernico Metals Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars, except share amounts)

	Attributable to common shareholders of the Company					
	Number of common shares	**Share capital**	**Other comprehensive loss**	**Deficit**	**Net parent investment (Note 2(b))**	**Total**
Balance at December 31, 2019	**-**	**$ -**	**$ -**	**$ -**	**$ 889,652**	**$ 889,652**
Incorporation share	1	1	-	-	-	1
Cash contributions from parent	-	-	-	-	14,012,183	14,012,183
Non-cash contributions from parent	-	-	-	-	92,657	92,657
Other comprehensive loss	-	-	(110,193)	-	(64,889)	(175,082)
Net loss	-	-	-	(892,426)	(1,706,060)	(2,598,486)
Issuance of shares pursuant to the Transaction on October 9, 2020 (Note 1 (b))	112,340,433	13,288,432	(64,889)	-	(13,223,543)	-
Balance at December 31, 2020	**112,340,434**	**$ 13,288,433**	**$ (175,082)**	**$ (892,426)**	**$ -**	**$ 12,220,925**
Other comprehensive income	**-**	**-**	**3,778**	**-**	**-**	**3,778**
Net loss	**-**	**-**	**-**	**(3,193,305)**	**-**	**(3,193,305)**
Balance at December 31, 2021	**112,340,434**	**$ 13,288,433**	**$ (171,304)**	**$(4,085,731)**	**$ -**	**$ 9,031,398**

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

Coppernico Metals Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		Year ended December 31, 2021		Year ended December 31, 2020
Operating activities:				
Loss for the year	**$**	**(3,193,305)**	$	(2,598,486)
Non-cash transactions:				
Share-based compensation (Note 6(a))		**-**		92,657
Unrealized foreign exchange loss		**8,942**		65,427
Changes in non-cash working capital:				
Accounts receivable		**(12,867)**		(7,308)
Prepaid expenses and deposits		**(367,447)**		(68,526)
Accounts payable and accrued liabilities		**4,955**		293,037
Cash used in operating activities		**(3,559,722)**		(2,223,199)
Investing activities:				
Mineral property additions (Note 4)		**(1,326,512)**		(3,945,212)
Cash used in investing activities		**(1,326,512)**		(3,945,212)
Financing activities:				
Contributions from parent		**-**		14,012,183
Cash provided by financing activities		**-**		14,012,183
Effect of foreign exchange rates on changes on cash		**1,372**		(17,392)
Increase (decrease) in cash		**(4,884,862)**		7,826,380
Cash, beginning of the year		**7,850,131**		23,751
Cash, end of the year	**$**	**2,965,269**	$	7,850,131

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

1. Business Overview

(a) Corporate information

Coppernico Metals Inc. (formerly Sombrero Resources Inc., the “Company” or “Coppernico”) was incorporated under the British Columbia Business Corporations Act on July 23, 2020. Coppernico is an unlisted reporting issuer in the province of British Columbia, Alberta, and Ontario and its head office and principal address is located at 1177 West Hastings Street, Suite 1630, Vancouver, British Columbia, Canada, V6E 2K3.

The Company is principally engaged in the acquisition and exploration of mineral property interests.

On June 22, 2021, the Company announced it had filed an election with the Canada Revenue Agency to become a public corporation under the Income Tax Act (Canada) (the “Tax Act”). The election is retroactively effective to a date prior to the October 9, 2020 transaction, pursuant to which Coppernico shares were spun out from Auryn Resources Inc (“Auryn”). As a result of making this election, the shares of the Company are considered to be qualified investments under the Tax Act and the Regulations thereto.

(b) Transaction arrangement

On October 9, 2020, 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 Coppernico and completed a concurrent financing (collectively, the “Transaction”).

(c) Nature of operations

The Company’s primary asset is the Sombrero project consisting of a district-scale land position totaling approximately 130,000 hectares that are held under direct ownership or subject to certain option agreements (Note 4). In addition to the Sombrero project, on July 22, 2021, the Company entered into an option agreement in respect of the Takana district located in Southeastern Peru.

The Company has not yet determined whether the properties contain mineral reserves where extraction is both technically feasible and commercially viable. Coppernico operates in one reportable operating segment, being the acquisition and exploration of mineral resource properties.

As a normal part of the exploration process, Coppernico 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 the project areas.

(d) Going concern

As at December 31, 2021, the Company has net working capital of $2,660,644 while it incurred a net loss of approximately $3,193,305 for the year ended December 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 Coppernico’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 working capital will be sufficient to pursue its operational activities for the next twelve months.

These consolidated 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.

(e) Response to COVID-19

The situation in Canada and Peru with respect to the management of COVID-19 remains fluid and permitted activities are subject to change; the Company is continually reviewing the situation along with provincial and government guidelines and allowing work to be undertaken as long as it is confident that its employees and communities are safe to do so.

While the disruptions resulting from the pandemic caused only a minor delay in the Company's planned goals for 2021, management was still able to continue with much of its planned activity. As the situation surrounding COVID-19 continues to develop, albeit to a lesser extent, the Company will continue to monitor the situation closely and respond appropriately. As of December 31, 2021, the Company is helping local workers in Peru get vaccinated and the pandemic is not currently causing disruptions to the Company's activities.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS include International Accounting Standards ("IAS") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were approved and authorized for issuance on March 30, 2022, by the Board of Directors.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis. Significant accounting policies are presented in Note 3 to these consolidated financial statements and have been consistently applied in each of the years presented.

<u>Common control transaction</u>

Pursuant to the Transaction, the Company acquired a 100% ownership interest in Sombrero Peru in the fourth quarter of 2020. Coppernico'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 consolidated 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 financial information for 2019 and up to the date of the Transaction were prepared on a combined basis. 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. The amounts reflected as cash and non-cash contributions from parent during the year ended December 31, 2020 in the consolidated statements of changes in equity refer to cash and non-cash contributions to the Company from Fury Gold.

(c) Basis of consolidation

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 consolidated financial statements reflect adjustments in all historical periods as if the subsidiaries had always been controlled by the Company.

The consolidated 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%

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 consolidated financial statements are presented in Canadian dollars, unless otherwise noted. Amounts denominated in US dollars are denoted as US$.

(e) Critical accounting judgments and estimates

The preparation of consolidated 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 consolidated 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.

Critical accounting judgments exercised in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

i. Functional currency

The functional currency of the Company’s subsidiary is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency to be the Canadian dollar, while the functional currency of its Peruvian subsidiary is the United States dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the

Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

ii. Economic recoverability and probability of future economic benefits of mineral property interests

Management has determined that the acquisition of mineral properties and related costs incurred, which have been recognized on the consolidated statements of financial position, are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geological data, scoping studies, accessible facilities, and existing and future permits.

iii. Indications of impairment of assets

Impairment testing is done at the cash generating unit level and judgment is involved in assessing whether there is any indication that an asset or a cash generating unit may be impaired. The assessment of the impairment indicators involves the application of a number of significant judgments and estimates to certain variables, including metal price trends, exploration plans for properties and the results of exploration and evaluation to date.

iv. Financial instruments

Financial instruments are assessed upon initial recognition to determine whether they meet the definition of a financial asset, financial liability or equity instrument depending on the substance of the contractual arrangement. Judgment is required in making this determination as the substance of a transaction may differ from its legal form. Once a determination is made, IFRS requires that financial instruments be measured at fair value on initial recognition. For financial instruments that do not have quoted market prices or observable inputs, judgments are made in determining what are appropriate inputs and assumptions to use in calculating the fair value.

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

i. Provisions

Provisions recognized in the financial statements involve judgments on the occurrence of future events, which could result in a material outlay for the Company. In determining whether an outlay will be material, the Company considers the expected future cash flows based on facts, historical experience and probabilities associated with such future events. Uncertainties exist with respect to estimates made by management and as a result, the actual expenditure may differ from amounts currently reported.

ii. Reclamation obligations

Management assesses its reclamation obligations annually and when circumstances suggest that a material change to the obligations may have occurred. Significant estimates and assumptions are made in determining the provision for rehabilitation and site restoration, as there are numerous factors that will affect the ultimate liability that becomes payable. These factors include estimates of the extent, the timing and the cost of reclamation activities, regulatory change, cost increases, and changes in discount rates. Those uncertainties may result in actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management’s best estimate of the present value of the future reclamation costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the reclamation asset and liability.

As the Company's projects are in early-stage exploration, with limited equipment and camp set up, therefore management estimated the provision to be $nil as at December 31, 2021 and 2020.

iii. Share-based compensation

The Company determines the fair value of options granted using the Black-Scholes option pricing model. This option pricing model requires the development of market-based subjective inputs, including the risk-free interest rate, expected price volatility, and expected life of the option. Changes in these inputs and the underlying assumptions used to develop them can materially affect the fair value estimate.

iv. Income taxes

The provision for income taxes and composition of income tax assets and liabilities requires management's judgment. The application of income tax legislation also requires judgment in order to interpret legislation and to apply those findings to the Company's transactions.

v. Deferred tax assets and liabilities

Management judgment and estimates are required in assessing whether deferred tax assets and deferred tax liabilities are recognized in the consolidated statements of financial position. Judgments are made as to whether future taxable profits will be available in order to recognize deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, and other capital management transactions. These judgments and assumptions are subject to risk and uncertainty and changes in circumstances may alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the consolidated statements of financial position and the benefit of other tax losses and temporary differences not yet recognized.

3. Significant accounting policies

(a) Foreign currency translation

The financial statements of the Company and each of its subsidiaries are prepared in its functional currency determined on the basis of the primary economic environment in which such entities operate. The presentation and functional currency of the Company is the Canadian dollar while the functional currency of its Peruvian subsidiary is the United States dollar. Amounts in these financial statements denominated in United States dollars are denoted as US$.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the transaction dates. At each reporting date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing rates and non-monetary items measured at historical cost are translated into the entity's functional currency at rates in effect at the date the transaction took place.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are included in the consolidated statements of loss and comprehensive loss for the period in which they arise.

Since the Company's presentation currency differs from the functional currency of its Peruvian subsidiary, Coppernico translates the Peruvian subsidiary's results and financial position as follows:

i. Assets and liabilities for each statement of financial position are translated at the closing rate at the date of that statement of financial position;

ii. Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at an exchange rate that approximates the exchange rates at the date of the transactions, determined to be the average rate for the period; and

iii. All resulting exchange rate differences are recognized in other comprehensive income.

(b) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid short-term investments that are readily convertible to cash and have maturities with terms of less than ninety days and/or with original maturities over ninety days but redeemable on demand without penalty. The Company did not hold any cash equivalents as at December 31, 2021 and 2020.

(c) Mineral property interests and exploration expenditures

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing historical characteristic of many properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge title to all of its properties is in good standing.

The Company accounts for mineral property interests in accordance with IFRS 6 – Exploration for and evaluation of mineral properties (“IFRS 6”).

Costs directly related to acquiring the legal right to explore a mineral property including addition of licenses, mineral rights, and similar acquisition costs are recognized and capitalized as mineral property interests. Acquisition costs incurred in obtaining the legal right to explore a mineral property are deferred until the legal right is granted and thereon reclassified to mineral property interests. Transaction costs incurred in acquiring an asset are deferred until the transaction is completed and then included in the purchase price of the asset acquired.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation activities, including but not limited to researching and analyzing existing exploration data, conducting geological studies, exploration drilling and sampling, payments made to contractors and consultants in connection with the exploration and evaluation of the property, are expensed as exploration costs in the period in which they occur.

Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed as administrative costs in the period in which they occur.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to exploration and evaluation costs.

When a project is deemed to no longer have commercially viable prospects to the Company, all capitalized addition costs in respect of that project are deemed to be impaired. As a result, those costs, in excess of the estimated recoverable amount, are written off to the consolidated statement of loss and comprehensive loss.

The Company assesses mineral property interests for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and its value in use.

Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development at which point the assets and further related costs no longer fall under the guidance of IFRS 6.

(d) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(e) Provision for site reclamation and closure

An obligation to incur rehabilitation and site restoration costs arises when an environmental disturbance is caused by the exploration, development or on-going production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the consolidated statement of loss and comprehensive loss over the life of the operation through amortization and the unwinding of the discount in the provision. Costs for restoration of subsequent site damage, which is created on an on-going basis during production, are provided for at their estimated net present values and charged against earnings as extraction progresses.

(f) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there are any indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal of impairment is recognized in the consolidated statement of loss and comprehensive loss.

(g) Loss per share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. The diluted loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding on a diluted basis. The weighted average number of shares outstanding on a diluted basis takes into account the additional shares for the assumed exercise of share options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding share options were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period.

(h) Share-based compensation

From time to time, the Company grants share options to employees and non-employees. An individual is classified as an employee, versus a non-employee, when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of share options, measured using the Black-Scholes option pricing model at the date of grant, is charged to the consolidated statement of loss and comprehensive loss over the vesting period. Performance vesting conditions and forfeitures are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

Where the terms and conditions of options are modified before they vest, any change in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of loss and comprehensive loss over the remaining vesting period.

Equity instruments granted to non-employees are recorded in the consolidated statement of loss and comprehensive loss at the fair value of the goods or services received, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for a share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are recorded in share option and warrant reserve until exercised. Upon exercise, shares are issued from treasury and the amount previously recorded in share option and warrant reserve is reclassified to share capital along with any consideration paid.

As at December 31, 2021 the Company has not granted share options to employees or non-employees. During the year ended December 31, 2020, Fury Gold allocated a certain amount of share-based compensation to the Company as described further in Note 6.

(i) Income taxes

Income tax reported in the consolidated statement of loss and comprehensive loss for the period presented comprises current and deferred income tax. Income tax is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax is based on the local taxable income at the local statutory tax rate enacted or, substantively enacted, at the reporting date and includes any adjustments to tax payable or recoverable with regards to previous periods. Deferred income tax is determined using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the expected future tax rates enacted or substantively enacted at the reporting date. A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

(j) Financial instruments

The Company recognizes financial assets and liabilities on its statement of financial position when it becomes a party to the contract creating the asset or liability.

On initial recognition, all financial assets and liabilities are recorded by the Company at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as fair value through profit or loss ("FVTPL") for which transaction costs are expensed in the period in which they are incurred.

Amortized cost

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

The Company's financial assets at amortized cost primarily include cash, accounts receivable, and prepaid expenses and deposits.

Fair value through other comprehensive income ("FVTOCI")

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not have any financial assets classified as FVTOCI.

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings.

Financial assets measured subsequently at FVTPL

By default, all other financial assets are measured subsequently at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

The Company does not have any financial assets classified as FVTPL.

Financial liabilities

Financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating amortized cost of a financial liability and allocating the interest expense over the related period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Company's financial liabilities at amortized cost primarily include accounts payable and accrued liabilities.

Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

(k) Comprehensive loss

Other comprehensive loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive loss comprises net loss and other comprehensive loss. Foreign currency translation differences arising on translation of foreign subsidiaries are also included in other comprehensive loss.

(l) Changes in accounting standards

Application of new and revised accounting standards:

The Company has adopted the following amended accounting standards and policies effective January 1, 2021:

IBOR Reform and the Effects on Financial Reporting – Phase II

In August 2020, the Board issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, IFRS 4, Insurance Contracts and IFRS 16, Leases. This amendment had no impact on the Company's consolidated financial statements.

New and amended standards not yet effective:

Certain new accounting standards and interpretations have been issued but were not effective for the year ended December 31, 2021, and they have not been early adopted. The Company is currently assessing the new and amended standards' impact on its consolidated financial statements; however, they are not expected to have a material impact on the Company's current or future reporting periods.

Annual Improvements to IFRSs 2018-2020 Cycle

Annual Improvements to IFRS Standards 2018–2020 makes amendments to the following standards and has an effective date of January 1, 2022:

IFRS 1 - First-time Adoption of International Financial Reporting Standards: The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

IFRS 9 - Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the consolidated statements of financial position and not the amount or timing of recognition of any asset, liability, income, or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

(Expressed in Canadian dollars)

However, the concept of changes in accounting estimates in the Standard was retained with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error; and
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after January 1, 2023, to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

4. Mineral property interests

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

	Sombrero	Takana	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	**1,104,496**	**222,016**	**1,326,512**
Currency translation adjustment	**(12,361)**	**3,410**	**(8,951)**
Balance as at December 31, 2021	**$ 6,145,328**	**$ 225,426**	**$ 6,370,754**

(a) Sombrero Project

The Sombrero copper-gold project, located in Southern Peru, covers approximately 130,000 hectares acquired through a combination of staking and option agreements which are outlined below:

Ownership	Registered Owner	Number of Claims	Hectares
Direct	Sombrero Minerales S.A.C.	152	136,800
Mollecruz Option	Ingrid Prado Pinto	4	1,300
Aceros Option	Corporación Aceros Arequipa S.A.	3	600
Soldaduyocc	Ximenita de Casma S.M.R.L	1	300

i) Sombrero Project - Mollecruz Option

On June 22, 2018, the Company entered an option agreement (the "Mollecruz Option") giving the Company the right to acquire a 100% interest in the Mollecruz concessions which are located in the northern area of the Sombrero project. Under the Mollecruz Option, the Company may acquire a 100% interest, subject to a 0.5% net smelter royalty ("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	Completed/Deferred	50	150
June 22, 2020	Deferred	100	150
June 22, 2021	Deferred	200	500
June 22, 2022	Deferred	300	700
June 22, 2023		900	1,500
Total		**$ 1,600**	**$ 3,000**

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 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 for the June 2019 property payment. As a result, the Company is able to continue deferment of the remaining 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) Sombrero Project - 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 530 hectares Aceros concessions plus 4,600 hectares of the Company’s Sombrero land position.

Below is a schedule of work expenditures and cash payments required of which US$0.5 million of work expenditures have been completed to date. In 2021, the Company amended the agreement with Aceros to extend the deadlines for the work expenditure requirements dependent on access to the concessions, in exchange for an additional annual payment of US$100,000 for the period that the Aceros Option is in place. On January 5, 2022, subsequent to the year end, the Company paid US$100,000. The option payments are subject to 18% Value Added Tax (“IGV”) in Peru which is not recoverable.

Due Dates	Property Payment / Work Expenditure Status	Property Payments (in ‘000 US$)	Work Expenditures (in ‘000 US$)
Effective Date			
December 13, 2018	Completed	$ 140	$ -
December 13, 2019	Completed	60	150
June 30, 2021	Completed / Deadline extended	250	500
December 13, 2021	Completed / Deadline extended	350	1,500
December 13, 2022		-	3,000
Total		**$ 800**	**$ 5,150**

iii) Sombrero Project - Soldaduyocc Option

On March 31, 2021, the Company entered into an option agreement (the “Soldaduyoc Option”) with Ximenita de Casma S.M.R.L to acquire the Soldaduyocc concession in Peru. Under the terms of the Soldaduyocc Option, Sombrero Minerales S.A.C., a wholly owned subsidiary of Coppernico, has the option to acquire the Soldaduyocc concession for US$199,500. An initial payment of US$79,500 ($100,600) was 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% NSR remains on the concession, payable on all minerals extracted and commercialized.

(b) Takana District

On July 22, 2021, the Company entered into the share purchase option agreement (“Share Purchase Option”) with Pembrook Copper Corp (“Pembrook”) to acquire Pembrook’s Peruvian subsidiary, Chukuyo Exploraciones S.A.C. (“Chukuyo”), which owns the Takana copper-nickel district (“Takana”) located in southeastern Peru. Takana is approximately 50,300 hectares, has numerous high-grade copper-nickel occurrences and is located approximately 90 kilometres (“km”) northwest of the city of Cusco and approximately 235 km northeast of the Sombrero project district.

Under the terms of the Share Purchase Option, Coppernico has the option to acquire 90% or 100% of the shares of Chukuyo, the private Peruvian company that owns the rights to the Takana district. The timing of option payments is based on the access date, which is when the access agreement and permits are secured.

	Payment & Work Expenditure Status	**Property Payments (in '000 US$)**	**Work Expenditures (in ‘000 US$)**
Initial option payment	Completed	$ 158	-
First anniversary of Access Date		500	1,000
Second anniversary of Access Date		750	2,000
Third anniversary of Access Date		1,000	3,000
Fourth anniversary of Access Date		2,000	5,000
Fifth anniversary of Access Date		5,000	6,000
Total to acquire 90% of the shares of Chukuyo		**$ 9,408**	**$ 17,000**

To acquire 100%, Coppernico can buy the final 10% of Chukuyo shares for a price between US$10 million and US$25 million, dependent on the measured and indicated resource mineralization discovered on the property, within five years from the Access Date. Exploration requirements cease once the option is exercised, which can be done at any time at Coppernico’s election. Coppernico also has the right to make option payments in cash or Coppernico shares, subject to any required stock exchange approvals.

5. Share capital

(a) Authorized

Unlimited common shares without par value.

(Expressed in Canadian dollars)

(b) Common share issuances

There were no common share issuances during the year ended December 31, 2021.

(c) Loss per share

As Fury Gold was the parent company of Coppernico prior to the Transaction, the weighted average number of shares outstanding for 2020 was calculated assuming the shares issued during the Transaction were outstanding for the full year.

Loss per share information for the year ended December 31, 2021 and 2020, is as follows:

	December 31, 2021	December 31, 2020
Net loss	**$ 3,193,305**	$ 2,598,486
Weighted average number of shares outstanding	**112,340,434**	112,340,434
Basic and diluted loss per share	**$ 0.03**	$ 0.02

6. 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

Universal Mineral Services

		December 31, 2021		December 31, 2020
Universal Mineral Services Ltd.				
Exploration and evaluation costs	**$**	**44,446**	$	407,586
Fees, salaries and other employee benefits		**199,909**		-
Legal and professional fees		**19,054**		-
Marketing and investor relations		**68,313**		-
Office and administration		**206,775**		-
Project investigation costs		**4,111**		-
Regulatory, transfer agent and shareholder information		**80**		-
Universal Mineral Services Peru S.A.C.				
Exploration and evaluation costs		**118,894**		-
Fees, salaries and other employee benefits		**36,797**		-
Office and administration		**20,529**		-
Project investigation costs		**8,547**		
Total transactions for the year	**$**	**727,455**	$	407,586

Universal Mineral Services Ltd., ("UMS") is a private company and at the date of these financial statements UMS shares one director in common with Coppernico. For the duration of the year ended December 31, 2021, UMS shared two directors in common with Coppernico before a change in the directors of UMS on December 31, 2021.

(Expressed in Canadian dollars)

UMS provides geological, financial, administrative and transactional 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. During the year ended December 31, 2021, UMS entered into an office lease agreement with a term of ten years, for which certain rent expenses will be payable by the Company. As at December 31, 2021 the Company expects to incur approximately $1 million in respect of its share of future rent over the remainder of the ten year lease period.

On April 1, 2021, Universal Mineral Services Peru S.A.C., a company incorporated by UMS Canada under Peruvian law, began providing administrative and geological services to the Peruvian Subsidiaries. In order to comply with Peruvian transfer pricing rules, UMS Peru charges its services at cost plus a markup of 5% for administrative services and 7% for geological services.

Fury Gold

During the year ended December 31, 2021, $nil (December 31, 2020 – $92,657) of share-based compensation and $nil (December 31, 2020 - $48,829) of exploration and evaluation expenditures from Fury Gold were allocated to the Company, respectively.

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:

	September 30, 2020
Risk-free interest rate	0.39%
Expected dividend yield	Nil
Share price volatility	58%
Expected forfeiture rate	0%
Expected life in years	4.90

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 of the Transaction, there was no further allocation of share-based compensation. The Company did not have any outstanding share options at December 31, 2021.

(b) Related party balances

As at December 31, 2021, $63,021 (December 31, 2020 - $40,196) was included in accounts payable, and $370,000 (December 31,2020 - $50,000) was in prepaid expenses and deposits relating to transactions with UMS.

As at December 31, 2021, $75,202 (December 31, 2020 - $nil) was included in prepaid expenses and deposits relating to transactions with UMS Peru.

As at December 31, 2021, 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.

(Expressed in Canadian dollars)

(c) Key management compensation

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

		December 31, 2021		December 31, 2020
Salary and benefits provided to executives	**$**	**593,182**	$	269,808
Directors fees paid to non-executive directors		**123,799**		14,933
	$	**716,981**	$	284,741

7. Income taxes

(a) Income tax recovery provision

The reconciliation of the income tax recovery computed at statutory rates to the reported income tax recovery is:

		December 31, 2021		December 31, 2020
Loss before income taxes	**$**	**(3,193,305)**	$	(2,598,486)
Effective income tax rates		**27%**		27%
Expected income tax recovery		**(862,193)**		(701,591)
Increase (decrease) in income tax recovery resulting from:				
Change in prior year estimates		**(341,923)**		-
Difference in foreign tax rates		**(37,643)**		(59,884)
Non-deductible expenses and foreign exchange		**67,465**		215,664
Change in non-recognized deferred tax assets		**1,174,294**		545,811
Income tax recovery	**$**	**-**	**$**	**-**

The difference in statutory rate is due to using the Peruvian income tax rate in the comparative year, and the Canadian income tax rate in the current year.

(b) Significant components of the deferred tax assets and liabilities are:

		December 31, 2021		December 31, 2020
Non-capital losses carried forward	**$**	**943,418**	$	287,869
Mineral property interests		**1,706,874**		1,117,644
Peruvian VAT receivable		**56,017**		126,502
		2,706,309		1,532,015
Unrecognized deferred tax assets		**(2,706,309)**		(1,532,015)
Net deferred tax balance	**$**	**-**	$	-

(c) Tax losses

As at December 31, 2021, the Company has Canadian non-capital losses of approximately $1,691,800 (December 31, 2020 - $281,872) which may be carried forward to reduce taxable income of future years, and which, if unused expire in 2040 through 2041.

The Company has Peruvian non-capital losses of approximately $1,649,601 (December 31, 2020 – $717,842), which may be carried forward to reduce taxable income of future years, and which, if unused, expire 2022 through 2025.

8. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, 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 December 31, 2021 and 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 December 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 $2,660,644 as at December 31, 2021 (December 31, 2020 - $7,167,732). The Company held cash of $2,965,269 as at December 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. Significant market risk to which the Company is exposed is as follows:

Currency risk

The Company is exposed to currency risk by having balances and transactions in currencies that are different from the functional currency of the Company and its subsidiary. As at December 31, 2021 and December 31, 2020, the Company's foreign currency exposure relates primarily to cash, deposits, and accounts payable and accrued liabilities that are in U.S. dollars within the Company, and in Peruvian soles within the subsidiary.

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

		December 31, 2021		December 31, 2020
Financial assets	**$**	**48,047**	$	69,641
Financial liabilities		**(13,409)**		(40,560)
Net exposure	**$**	**34,638**	$	29,081

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

(Expressed in Canadian dollars)

9. Segmented information

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

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

10. 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:

		December 31, 2021		December 31, 2020
Equity	**$**	**9,031,398**	$	12,220,925
Less cash and cash equivalents		**(2,965,269)**		(7,850,131)
	$	**6,066,129**	$	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.