



Sombrero Resources Inc.

Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30,
2021 and 2020

(Unaudited)

Sombrero Resources Inc.

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

	As at September 30, 2021	As at December 31, 2020
Assets		
Current assets:		
Cash	\$ 4,119,651	\$ 7,850,131
Accounts receivable	12,430	7,308
Prepaid expenses and deposits	517,946	144,909
	4,650,027	8,002,348
Non-current assets:		
Mineral property interests (Note 3)	5,851,679	5,053,193
Total assets	\$ 10,501,706	\$ 13,055,541
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 567,576	\$ 834,616
Total liabilities	567,576	834,616
Equity:		
Share capital (Note 4)	13,288,433	13,288,433
Accumulated other comprehensive loss	(135,275)	(175,082)
Deficit	(3,219,028)	(892,426)
Total equity	9,934,130	12,220,925
Total liabilities and equity	\$ 10,501,706	\$ 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 September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Operating expenses:				
Exploration and evaluation costs	\$ 314,466	\$ 601,935	\$ 1,095,509	\$ 1,478,415
Fees, salaries and other employee benefits	223,114	39,284	621,799	79,558
Legal and professional fees	27,355	22,888	244,159	56,003
Marketing and investor relations	29,733	-	111,797	-
Office and administration	69,110	20,738	202,531	57,065
Project investigation costs	956	3,417	22,481	21,833
Regulatory, transfer agent	15,072	-	15,072	-
	679,806	688,262	2,313,348	1,692,874
Other expenses				
Foreign exchange loss, net	1,643	3,354	13,254	13,186
Loss for the period	\$ 681,449	\$ 691,616	\$ 2,326,602	\$ 1,706,060
Other comprehensive loss (income)				
Unrealized currency loss (income) on translation	(150,920)	(9,221)	(39,807)	(64,889)
Comprehensive loss for the period	\$ 530,529	\$ 682,395	\$ 2,286,795	\$ 1,641,171
Basic and diluted loss per share (Note 4(c))	\$ 0.01	\$ n/a ¹	\$ 0.02	\$ n/a ¹
Basic and diluted weighted average number of shares outstanding (Note 4(c))	112,340,434	n/a ¹	112,340,434	n/a ¹

¹ Sombrero Resources Inc. was incorporated on July 23, 2020, loss per share information for the three and nine months ended September 30, 2020 is not representative as Sombrero Resources Inc. share structure changed following the Transaction (note 1(b)).

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						
	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	
Cash contributions from parent	-	-	-	-	5,892,537	5,892,537	
Non-cash contributions from parent	-	-	-	-	146,687	146,687	
Other comprehensive income	-	-	-	-	64,889	64,889	
Net loss	-	-	-	-	(1,706,060)	(1,706,060)	
Balance at September 30, 2020	-	\$ -	\$ -	\$ -	\$ 5,287,705	\$ 5,287,705	
Balance at December 31, 2020	112,340,434	\$ 13,288,433	\$ (175,082)	\$ (892,426)	\$ -	\$ 12,220,925	
Other comprehensive income	-	-	39,807	-	-	39,807	
Net loss	-	-	-	(2,326,602)	-	(2,326,602)	
Balance at September 30, 2021	112,340,434	\$ 13,288,433	\$ (135,275)	\$ (3,219,028)	-	\$ 9,934,130	

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 September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Operating activities:				
Loss for the period	\$ (681,449)	\$ (691,616)	\$ (2,326,602)	\$ (1,706,060)
Non-cash transactions:				
Share-based compensation (Note 5(a))	-	9,131	-	92,657
Unrealized foreign exchange loss	9,541	-	26,138	-
Changes in non-cash working capital:				
Accounts receivable	386	159,448	(5,122)	-
Prepaid expenses and deposits	115,204	5,157	(373,037)	3,174
Accounts payable and accrued liabilities	79,194	127,004	(267,040)	(86,889)
Cash used in operating activities	(477,124)	(390,876)	(2,945,663)	(1,697,118)
Investing activities:				
Mineral property additions (Note 3)	(216,311)	(3,886,180)	(786,339)	(3,888,372)
Cash used in investing activities	(216,311)	(3,886,180)	(786,339)	(3,888,372)
Financing activities:				
Contributions from parent	-	4,622,058	-	5,946,567
Cash provided by financing activities	-	4,622,058	-	5,946,567
Effect of foreign exchange rate changes on cash	(8,479)	-	1,522	-
Increase (decrease) in cash	(701,914)	345,002	(3,730,480)	361,077
Cash, beginning of the period	4,821,565	39,826	7,850,131	23,751
Cash, end of the period	\$ 4,119,651	\$ 384,828	\$ 4,119,651	\$ 384,828

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 and nine months ended September 30, 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 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 with a focus on Peru.

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 Sombrero shares were spun out from Auryn Resources Inc (“Auryn”). As a result of making this election, the shares of the Company are now 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 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 assets are the Sombrero project consisting of a district-scale land position totaling approximately 130,000 hectares that are owned or optioned (Note 3). In addition to the Sombrero project, on March 31, 2021, and July 22, 2021, the Company entered into option agreements in respect of the Soldaduyocc concession (adding to the Sombrero project land area) and the Takana district, respectively, both 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. 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 the project area.

(d) Going concern

As at September 30, 2021, the Company has net working capital of \$4,082,451 while it incurred a loss for the period of \$2,326,602 for the nine months ended September 30, 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 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

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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 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.

(e) Prior period re-presentation

As at September 30, 2021 the Company has accrued mining concession fees of \$381,455 relating to the Sombrero project. Prior to the financial reporting for the year ended December 31, 2020, the Company misstated the concession fees by expensing these fees when paid due to the uncertainty regarding the timing and amounts of payment due. Accordingly, the Company has re-presented the prior period figures by recording an accrual of \$381,187 as at September, 2020, impacting exploration and evaluation costs on the condensed consolidated interim statement of loss and comprehensive loss, and the change in accounts payable and accrued liabilities on the condensed consolidated statement of cash flows.

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 November 15, 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

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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.

(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

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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 September 30, 2021.

3. Mineral property interests

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

	Sombrero	Soldaduyocc	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	463,724	100,600	222,015	786,339
Currency translation adjustment	8,593	1,328	2,226	12,147
Balance as at September 30, 2021	\$ 5,525,510	\$ 101,928	\$ 224,241	\$ 5,851,679

(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	136,300
Molleacruz 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
Total area of claims		160	138,500

i) Sombrero Project - 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	Deferred	200	500
June 22, 2022	Deferred	300	700
June 22, 2023		900	1,500
Total		\$ 1,600	\$ 3,000

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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 deferment of the June 2019 and 2020 property payments and any subsequent property payments and work expenditures until May 20, 2023.

Although the Company has not been able to complete an access agreement with the local communities in order to commence work in the region, significant progress has been made with some of the communities and the Company is advancing discussions, meetings and maintaining open communications, all with the goal of working collaboratively toward a mutually beneficial agreement.

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 520-hectare 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. The Company has amended the agreement with Aceros to extend the deadlines for the work expenditure requirements dependent on access to the concessions. The option payments are subject to 18% Value Added Tax (IGV) in Peru which is not recoverable.

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	Completed / Deadline Extended	250	500
December 13, 2021		350	1,500
December 13, 2022		-	3,000
Total		\$ 800	\$ 5,150

iii) Sombrero Project - Soldaduyocc

On March 31, 2021, the Company entered into an Option Agreement with Ximenita de Casma S.M.R.L 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 (\$100,600) 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.

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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 with Pembroke Copper Corp ("Pembroke") to acquire Pembroke'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 Agreement, Sombrero 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, and is expected to occur before July 2022.

	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%, Sombrero 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 Sombrero's election. Sombrero also has the right to make option payments in cash or Sombrero shares, subject to any required stock exchange approvals.

4. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Common share issuances

There were no common share issuances during the nine months ended September 30, 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 nine months ended September 30, 2020, is not applicable. Loss per share information for the three and nine months ended September 30, 2021, is as follows:

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	Three months ended September 30, 2021	Nine months ended September 30, 2021
Net loss	\$681,449	\$ 2,326,602
Weighted average number of shares outstanding	112,340,434	112,340,434
Basic and diluted loss per share	\$ 0.01	\$ 0.02

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 September 30,				Nine months ended September 30,			
	2021		2020		2021		2020	
Universal Mineral Services Ltd.								
Exploration and evaluation costs	\$	7,634	\$	39,848	\$	53,223	\$	209,063
Fees, salaries and other employee benefits		38,788		-		162,238		-
Legal and professional fees		4,693		-		17,468		-
Marketing and investor relations		12,494		-		59,358		-
Office and administration		51,679		-		148,130		-
Project investigation costs		79		-		4,222		-
Regulatory, transfer agent and shareholder information		29		-		29		-
Universal Mineral Services Peru S.A.C.								
Exploration and evaluation costs		71,993		-		71,993		-
Fees, salaries and other employee benefits		31,882		-		31,882		-
Legal and professional fees		11,073		-		11,073		-
Total transactions for the period	\$	230,344	\$	39,848	\$	559,616	\$	209,063

Universal Mineral Services Ltd., ("UMS") is a private Canadian company with two directors and one officer 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.

Universal Mineral Services Peru S.A.C ("UMS Peru"), a company incorporated by UMS Canada under Peruvian law, provides administrative and geological services to the Peruvian subsidiary. In order to comply

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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.

During the three and nine month periods ended September 30, 2021, \$nil (September 30, 2020 – \$9,131 and \$92,657 respectively) of share-based compensation from Fury Gold were allocated to the Company. There was no further allocation of share-based compensation after the close of the Transaction.

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 September 30, 2020	Nine months ended September 30, 2020
Risk-free interest rate	-	0.39%
Expected dividend yield	Nil	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 stock-based compensation. The Company did not have any outstanding share options at September 30, 2021.

(b) Related party balances

As at September 30, 2021, \$31,835 (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 September 30, 2021, \$11,073 (December 31, 2020 - \$nil) was included in accounts payable and \$78,839 (December 31, 2020 - \$nil) was included in prepaid expenses and deposits relating to transactions with UMS Peru.

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:

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		Three months ended September 30, 2021		Nine months ended September 30, 2021
Salary and benefits provided to executives	\$	148,534	\$	444,541
Directors fees paid to non-executive directors		30,984		92,559
	\$	179,518	\$	537,100

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 September 30, 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 September 30, 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 \$4,082,451 as at September 30, 2021 (December 31, 2020 - \$7,167,732). The Company held cash of \$4,119,651 at September 30, 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 the functional currency of the Company and its subsidiary. As at September 30, 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 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:

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	September 30, 2021	December 31, 2020
Financial assets	\$ 18,487	\$ 69,641
Financial liabilities	(41,052)	(40,560)
Net exposure	\$ (22,565)	\$ 29,081

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

7. Segmented information

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

Sombrero was not subjected to restrictions on its cash as at September 30, 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 and exploration 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:

	September 30, 2021	December 31, 2020
Equity	\$ 9,934,130	\$ 12,220,925
Less cash	(4,119,651)	(7,850,131)
	\$ 5,814,479	\$ 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 activities, 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.