Coppernico Metals Inc.

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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Independent Auditor's Report

To the Shareholders and 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, 2022 and 2021, and the consolidated statements of loss, comprehensive loss, consolidated statements of changes in equity and consolidated statements of 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, 2022 and 2021, 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 revenues and incurred a net loss of $3,468,943 during the year ended December 31, 2022. 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Investment in Associate — Refer to Note 5 to the financial statements

Key Audit Matter Description

On April 1, 2022, the Company purchased a 25% share interest in a shared-service provider, Universal Mineral Services Ltd. ("UMS Canada") for nominal consideration (the "transaction"). The remaining 75% of UMS Canada is owned equally by Tier One Silver Inc, Torq Resources Inc. and Fury Gold Mines Limited. The Company further recognized as part of its net investment in UMS Canada, a cash deposit of $150,000 which is held by UMS Canada for the purposes of general working capital, which will only be returned to the Company upon termination of the UMS Canada arrangement. The transaction was accounted for as an investment in associate using the equity method.

A key audit matter has been identified with regards to the appropriate accounting treatment of the transaction.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures to evaluate the appropriateness of management's accounting treatment of the transaction, included the following, among others:

- Reviewed the executed contracts to determine whether all key facts and circumstances were incorporated into management's assessment;

- Analyzed relevant accounting standards, including various aspects of IFRS, conceptual framework and guidance.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is David Macdonald.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
March 31, 2023

Coppernico Metals Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		As at December 31, 2022		As at December 31, 2021
Assets				
Current assets:				
Cash	**$**	**300,862**	$	2,965,269
Amounts receivable		**32,542**		20,175
Prepaid expenses and deposits (Note 7(a))		**213,344**		512,668
		546,748		3,498,112
Non-current assets:				
Equity investments (Note 5)		**130,966**		-
Mineral property interests (Note 4)		**6,662,647**		6,370,754
Total assets	**$**	**7,340,361**	$	9,868,866
Liabilities and Equity				
Current liabilities:				
Accounts payable and accrued liabilities (Note 7(a))	**$**	**1,053,850**	$	837,468
"SAFE" financial liability (Note 6)		**724,056**		-
Total liabilities	**$**	**1,777,906**	$	837,468
Equity:				
Share capital (Note 8)		**13,288,433**		13,288,433
Accumulated other comprehensive income (loss)		**212,257**		(171,304)
Deficit		**(7,938,235)**		(4,085,731)
Total equity		**5,562,455**		9,031,398
Total liabilities and equity	**$**	**7,340,361**	$	9,868,866

Going concern (Note 1(c))

Subsequent event (Note 13)

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, 2022		Year ended December 31, 2021
Operating expenses:				
Exploration and evaluation	**$**	**1,438,069**	$	1,611,685
Fees, salaries and other employee benefits		**764,176**		776,369
Legal and professional		**188,904**		275,927
Marketing and investor relations		**170,709**		136,608
Mineral property impairment (Note 4)		**338,745**		-
Office and administration		**320,085**		282,809
Project investigation		**546,167**		39,135
Regulatory and transfer agent		**43,091**		48,703
		3,809,946		3,171,236
Other expenses:				
Foreign exchange loss, net		**22,356**		22,069
Net loss from equity investments (Note 5)		**20,202**		-
Loss for the period	**$**	**3,852,504**	$	3,193,305
Other comprehensive income:				
Unrealized currency income on translation		**(383,561)**		(3,778)
Comprehensive loss for the period	**$**	**3,468,943**	$	3,189,527
Basic and diluted loss per share	**$**	**0.03**	$	0.03
Basic and diluted weighted average number of shares		**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)

	Number of common shares		Share capital		Other comprehensive income (loss)		Deficit		Total equity
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
Other comprehensive income	-		-		383,561		-		383,561
Net loss	-		-		-		(3,852,504)		(3,852,504)
Balance at December 31, 2022	**112,340,434**	**$**	**13,288,433**	**$**	**212,257**	**$**	**(7,938,235)**	**$**	**5,562,455**

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, 2022	Year ended December 31, 2021
Operating activities:		
Loss for the year	**$ (3,852,504)**	$ (3,193,305)
Non-cash transactions:		
Net unrealized foreign exchange loss	**15,829**	8,942
Mineral property impairment	**338,745**	-
Net loss from equity investments	**20,202**	-
Changes in non-cash working capital:		
Amounts receivable	**(12,367)**	(12,867)
Prepaid expenses and deposits	**147,020**	(367,447)
Accounts payable and accrued liabilities	**174,193**	4,955
Cash used in operating activities	**(3,168,882)**	(3,559,722)
Investing activities:		
Acquisition of investments	**(1,168)**	-
Mineral property additions	**(205,527)**	(1,326,512)
Cash used in investing activities	**(206,695)**	(1,326,512)
Financing activities:		
Net proceeds from “SAFE” financing	**724,056**	-
Cash provided by financing activities	**724,056**	-
Effect of foreign exchange on cash	**(12,886)**	1,372
Change in cash	**(2,664,407)**	(4,884,862)
Cash, beginning of the period	**2,965,269**	7,850,131
Cash, end of the year	**$ 300,862**	$ 2,965,269

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”). 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) Nature of operations

The Company’s primary asset is the Sombrero copper-gold district located in southern Peru. The Sombrero district (including the Sombrero project plus ancillary concessions) covers approximately 130,000 hectares in which it holds direct and indirect interest through a combination of staking and option agreements. The Company has not yet determined whether the properties contain mineral reserves where extraction is both technically feasible and commercially viable.

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.

c) Going concern

As at December 31, 2022, the Company has net working capital deficit of $1,231,158 (December 31, 2021 - $2,660,644) while it incurred a net loss of $3,852,504 for the year ended December 31, 2022 (2021 - $3,193,305). The Company has recorded a provision for approximately US$390,000 for concession holding fees for the Sombrero project accrued to date in 2022 that are due to be paid in June 2023. The Company has no operating revenue to date and no operating cash flow to support its activities. With no source of revenue, 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 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.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations.

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

2. Basis of preparation

a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on March 31, 2023.

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

b) Basis of presentation

These financial statements have been prepared on a historical cost basis. In addition, except for cash flow information, these financial statements have been prepared using the accrual method of accounting.

c) Basis of consolidation

These financial statements include the financial information of the Company and entities controlled by the Company. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company. A summary of the Company's subsidiaries included in these financial statements as at December 31, 2022 is as follows:

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

These financial statements include a 50% investment in Universal Mineral Services Peru S.A.C. ("UMS Peru") and a 25% investment in Universal Mineral Services Ltd. ("UMS Canada") (Note 5).

d) Functional and presentation currency

These financial statements are presented in Canadian dollars which is the functional and presentational currency of the Company. Amounts denominated in US dollars are denoted as US$.

3. Significant accounting judgments and estimates

a) Foreign currency translation

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

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.

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) Equity investments

The Company conducts a portion of its business through equity interests in an associate and a joint venture. An associate is an entity over which the Company has significant influence and is neither a subsidiary nor a joint venture. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policy decisions. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control exists only when the decisions about relevant activities require the unanimous consent of the parties that control the arrangement.

The Company accounts for its investment in associate and joint venture using the equity method. Under the equity method, the Company's investment in an associate and joint venture are initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and joint venture, after any adjustments necessary to give effect to uniform accounting policies, and for impairment losses after the initial recognition date. The Company's share of an associate and joint venture's losses that are in excess of its investment are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate and joint venture. The Company's share of earnings and losses of its associate and joint venture are recognized in net loss during the period.

e) 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.

f) 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.

g) 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.

h) 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.

i) Share-based compensation

From time to time, the Company grants share options to employees and non-employees.

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.

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, 2022 the Company has not granted share options to employees or non-employees.

j) 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.

k) 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 and SAFE financial liability.

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.

l) 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.

m) 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 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 for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency involves certain judgements to determine the primary economic environment of an entity. The Company re-evaluates the functional currency of its entities when there is a change in events and conditions which previously determined the primary economic environment of an entity.

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, 2022 and 2021.

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.

(Expressed in Canadian dollars)

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.

n) Changes in accounting standards

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards as they are not applicable to the financial statements.

4. Mineral property interests

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

		Sombrero		Takana		Total
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**
Mineral property additions		**205,527**		**-**		**205,527**
Mineral property impairment		**(100,320)**		**(238,425)**		**(338,745)**
Currency translation adjustment		**412,112**		**12,999**		**425,111**
Balance as at December 31, 2022	**$**	**6,662,647**	**$**	**-**	**$**	**6,662,647**

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

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	Property Payment / Work Expenditure Status	Property Payments (in US$'000)	Work Expenditures (in US$'000)
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.

Due Dates	Property Payment / Work Expenditure Status	Property Payments (in US$ '000)	Work Expenditures (in US$'000)
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	Deadline extended	-	3,000
Total		**$800**	**$5,150**

On January 5, 2022, the Company paid the annual US$100,000 holding payment under the terms of the Aceros Option, an option over three concessions at the Sombrero Project held by Corporacion Aceros Arequipa S.A. ("Aceros"). The option payments are subject to 18% Value Added Tax ("IGV") in Peru which is not recoverable.

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.

On June 7, 2022, the Company gave notice to Ximenita de Casma S.M.R.L to terminate its option in the Soldaduyocc concession and therefore incurred an impairment of $100,320 (US$80,000) in relation to that concession.

iv. Sombrero Project - Guadalupe concession

In August 2022 the Company paid $45,226 (US$35,000) (partially prepaid) regarding the Guadalupe concession.

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.

During the year ended December 31, 2022 the Company has relinquished the option agreement on its Takana district claims and recognized an impairment of $238,425 (2021- $nil).

5. Equity investments

Investment in Associate - UMS Canada

On April 1, 2022, the Company purchased a 25% share interest in UMS Canada for nominal consideration. The remaining 75% of UMS Canada is owned equally by three other companies with which the Company shares certain premises and personnel costs, being Tier One Silver Inc. ("Tier One"), Torq Resources Inc. and Fury Gold Mines Limited. The Company funded, in addition to its nominal investment in UMS Canada, a cash deposit of $150,000 which is held by UMS Canada for the purposes of general working capital, and which will be returned to the Company upon termination of the UMS Canada arrangement, net of any residual unfulfilled obligations. Prior to 2022, UMS Canada was owned by Ivan Bebek and Shawn Wallace who are directors of Coppernico. On December 31, 2021 in anticipation of the reorganization of UMS Canada as a jointly owned cooperative, these two shareholders sold their shares in UMS Canada to fellow director Steven Cook, acting as a placeholder, for nominal consideration and ceased to be directors of UMS Canada. Mr. Cook remains sole director of UMS Canada. Effective April 1, 2022, UMS Canada was restructured whereby the Company redeemed Mr. Cook's shares of UMS Canada for nominal consideration and each of the four public companies which share UMS Canada services subscribed for common shares for a total of $1,000 each. Mr. Cook remains sole director of UMS Canada.

UMS Canada is located in Vancouver, BC and provides geological, financial and transactional advisory services as well as administrative services to the Company and three other companies on a cost recovery basis. Having these services available through UMS Canada 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 service agreement with UMS Canada has an indefinite term and can be terminated by each participating company upon providing due notice. UMS Canada is party to 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, 2022, the Company expects to incur approximately $1.0 million in respect of future lease rent for the remaining 8.50 years.

Investment in Joint Venture - UMS Peru

On May 1, 2022, the Company and Tier One each acquired from UMS Canada a 50% ownership of UMS Peru for nominal consideration. Given that each of Coppernico and Tier One now have joint control over UMS Peru, it is being accounted for as a joint venture.

(Expressed in Canadian dollars)

UMS Peru is a company incorporated under Peruvian law, which provides administrative and geological services to Sombrero Minerales S.A.C. and the Peruvian subsidiaries of Tier One. 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.

Summarized financial information of UMS Canada and UMS Peru

The Company's share of net losses (income) of UMS Canada and UMS Peru were as follows:

For the year ended December 31, 2022		**UMS Canada**		**UMS Peru**	**Total**
Cost recoveries	$	(4,422,927)	$	(919,657)	(5,342,584)
Geological services		1,672,861		598,516	2,271,377
Administrative services		2,845,971		313,593	3,159,564
Net loss (income) for the period since investment		95,905		(7,548)	88,357
Company's share of net loss (income) for the period ended December 31, 2022	**$**	**23,976**	**$**	**(3,774)**	**20,202**

The carrying amounts of the Company's investments in UMS Canada and UMS Peru as at December 31, 2022 were as follows:

		UMS Canada		**Ums Peru**	**Total**
Acquisition of equity investment	$	151,000	$	168	151,168
Company's share of net (loss) income		(23,976)		3,774	(20,202)
Carrying amount as at December 31, 2022	**$**	**127,024**	**$**	**3,942**	**130,966**

The Company's equity interest in net assets and liabilities of UMS Canada and UMS Peru at December 31, 2022, were as follows:

		UMS Canada		**Ums Peru**	**Total**
Current assets	$	878,684	$	33,404	912,088
Non-current assets		2,750,438		163,206	2,913,644
Current liabilities		(1,653,779)		(188,725)	(1,842,504)
Non-current liabilities		(1,467,250)		-	(1,467,250)
Net assets 100%		508,093		7,885	515,978
Company's equity interest in net assets and liabilities	**$**	**127,024**	**$**	**3,942**	**130,966**

6. SAFE financial liability

In December 2022, the Company announced it had launched, in a private placement, simple agreements for future equity ("SAFE's"), which were classified as a current financial liability. In January 2023, subsequent to the year end, the Company announced that it had superseded the terms of the financing and set a price for the replacement financing of $0.30 per common share. In February 2023, subsequent to the year end, all the SAFE holders exchanged their investments for common shares of the Company (Note 13).

7. Related party transactions

Related party transactions are those with entities over which the Company has control or significant influence, or with key management personnel, being those having the authority and responsibility for planning, directing, and controlling the Company. A summary of the Company's related party transactions for the years ended December 31, 2022 and 2021, is as follows:

(Expressed in Canadian dollars)

a) UMS Canada and UMS Peru

On April 1, 2022, the Company purchased a 25% share interest in UMS Canada for nominal consideration. On May 1, 2022, the Company acquired from UMS Canada a 50% ownership of UMS Peru for nominal consideration (Note 5). Due to the Company having an ownership interest in both UMS Canada and UMS Peru they are classified as related parties.

All transactions with UMS Canada and UMS Peru 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.

		Year ended December 31,		
		2022		2021
Exploration and evaluation	**$**	**377,033**	$	163,340
Project investigation		**350,996**		12,658
Marketing and investor relations		**55,422**		68,313
General and administration		**736,507**		483,144
Total transactions for the period	**$**	**1,519,958**	$	727,455

As at December 31, 2022, $92,014 (December 31, 2021 - $63,021) was included in accounts payable and accrued liabilities and $120,000 (December 31, 2021 - $370,000) in prepaid expenses and deposits relating to transactions with UMS Canada. Upon the acquisition of the share of UMS Canada in April 2022, $150,000 was reclassified to equity investments (Note 5).

As at December 31, 2022, $nil (December 31, 2021 - $nil) was included in accounts payable, and $nil (December 31, 2021 - $75,202) was included in prepaid expenses and deposits relating to transactions with UMS Peru.

b) Key management compensation

On April 1, 2022, the Company entered into a shared services agreement with UMS Canada. Under the agreement, the Company's CFO and Chief Geological Officer ("CGO") terminated their direct employment status with the Company, became employed by UMS Canada and entered into secondment employment arrangements between the Company and UMS Canada. Following the change to the secondment arrangements, the salaries for these executives are now charged to the Company based on the actual percentage of time incurred during the period and therefore the compensation amounts for these members of management fluctuate depending on the activities of the Company.

In addition to the transactions disclosed above, the Company provided the following compensation to key management and board members, being its four executives, of which one is a director, and six non-executive directors:

		Year ended December 31,		
		2022		2021
Fees, salaries and other employee benefits provided to executives	**$**	**526,120**	$	593,182
Fees, salaries and other employee benefits to non-executive directors		**149,700**		123,799
	$	**675,820**	$	716,981

As at December 31, 2022 the Company had an outstanding accounts payable balance with key management personnel of $95,896 (December 31, 2021 - $28,244).

(Expressed in Canadian dollars)

8. Share capital

a) Authorized - unlimited common shares without par value.

b) Common share issuances

There were no common share issuances during the year ended December 31, 2022 or the year ended December 31, 2021.

9. 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, 2022	December 31, 2021
Loss before income taxes	**$ (3,852,504)**	$ (3,193,305)
Effective income tax rates	**27%**	27%
Expected income tax recovery	**(1,040,176)**	(862,193)
Increase (decrease) in income tax recovery resulting from:		
Change in prior year estimates	**7,492**	(341,923)
Difference in foreign tax rates	**(47,663)**	(37,643)
Non-deductible expenses and foreign exchange	**170,678**	67,465
Change in non-recognized deferred tax assets	**909,669**	1,174,294
Income tax recovery	**$ -**	$ -

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

	December 31, 2022	December 31, 2021
Non-capital losses carried forward	**$ 1,445,332**	$ 943,418
Mineral property interests	**2,102,069**	1,706,874
Peruvian VAT receivable	**68,638**	56,017
	3,616,039	2,706,309
Unrecognized deferred tax assets	**(3,616,039)**	(2,706,309)
Net deferred tax balance	**$ -**	$ -

c) Tax losses

As at December 31, 2022, the Company has Canadian non-capital losses of approximately $3,439,490 (December 31, 2021 - $1,691,800) which may be carried forward to reduce taxable income of future years, and which, if unused expire in 2040 through 2042.

The Company has Peruvian non-capital losses of approximately $1,871,237 (December 31, 2021 – $1,649,601), which may be carried forward to reduce taxable income of future years, and which, if unused, expire 2023 through 2026.

10. Financial instruments

The Company's financial instruments consist of cash, deposits, as well as accounts payable and accrued liabilities, which are classified as and measured at amortized cost. The fair values of these financial instruments approximate their carrying values due to their short-term nature. Further included in the Company's financial instruments is its SAFE financial liability, which is classified as and measured at fair value through profit or loss.

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, 2022, other than the SAFE financial liability, there were no financial instruments measured at fair value. As at December 31, 2021 there were no financial instruments measured at fair value.

The Company's financial instruments are exposed to liquidity risk, credit risk and market risk, which includes currency risk. As at December 31, 2022, the primary risks were as follows:

a) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. As the Company's operations do not generate cash, financial liabilities are discharged using funding through the issuance of common shares or debt as required. As at December 31, 2022, the Company did not have sufficient cash on hand to discharge its financial liabilities as they become due and will require additional funding to continue operations for the upcoming year.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet an obligation under contract. Credit risk exposure arises with respect to the Company's cash and amounts receivable. The risk exposure is limited because the Company places its instruments in institutions of high credit worthiness within Canada.

c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A summary of the Company's financial instruments that are denominated in US dollars or Peruvian Soles is as follows:

		December 31, 2022		December 31, 2021
Cash	**$**	**12,061**	$	48,047
Accounts payable and accrued liabilities		**(154,533)**		(13,409)
Net exposure	**$**	**(142,472)**	$	34,638

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.

11. Segmented information

The Company operates in one reportable segment, being the exploration and evaluation of unproven exploration and evaluation assets. The Company's primary exploration and evaluation assets are located in Peru, and its corporate assets, comprising mainly cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results. All corporate expenses are incurred in Canada.

12. Management of capital

The Company considers capital to include items within shareholders' equity. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and evaluation of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

The properties in which the Company currently has an interest are in the exploration stage and are not positive cash-flow generating; as such, the Company has historically relied on the equity markets to fund its activities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any capital restrictions and the Company's approach to capital management has not changed from the prior year.

13. Subsequent event

On February 22, 2023, the Company closed the first tranche of its non-brokered private placement. The Company issued 8,950,119 common shares at a price of $0.30 per common share, including shares to settle the SAFE financial liability (Note 6).