Tier One Silver Inc.

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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Independent Auditor's Report

To the Shareholders of
Tier One Silver Inc.

Opinion
We have audited the consolidated financial statements of Tier One Silver Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, 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 incurred a net loss of $3.3M during the year ended December 31, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises Management's Discussion and Analysis ("MD&A").

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 the MD&A prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

/s/ Deloitte LLP

Chartered Professional Accountants

Vancouver, British Columbia

February 26, 2021

Tier One Silver Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		As at December 31, 2020		As at December 31, 2019
Assets				
Current assets:				
Cash and cash equivalents	**$**	**2,729,338**	$	25,915
Accounts receivable		**13,471**		-
Prepaid expenses and deposits (Note 4)		**148,323**		57,943
		2,891,132		83,858
Non-current assets:				
Prepaid expenses and deposits (Note 4)		**106,812**		148,581
Equipment (Note 5)		**10,456**		20,021
Mineral property interests (Note 6)		**3,687,909**		3,237,550
Total assets	**$**	**6,696,309**	$	3,490,010
Liabilities and Equity				
Current liabilities:				
Accounts payable and accrued liabilities (Note 8(b))	**$**	**483,774**	$	15,300
Total liabilities		**483,774**		15,300
Equity:				
Share capital (Note 7)		**7,980,154**		-
Net parent investment		**-**		3,474,710
Accumulated other comprehensive loss		**(124,416)**		-
Deficit		**(1,643,203)**		-
Total equity		**6,212,535**		3,474,710
Total liabilities and equity	**$**	**6,696,309**	$	3,490,010

Transaction arrangement (Note 1(b))
Going concern (Note 1(d))

Approved on behalf of the Board of Directors:

"Peter Dembicki" — CEO, President & Director

"Steve Cook" — Director

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

Tier One Silver Inc.

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

	Year ended December 31, 2020	Year ended December 31, 2019
Operating expenses:		
Exploration and evaluation costs	**$ 2,627,742**	$ 985,243
Fees, salaries and other employee benefits	**374,182**	165,618
Legal and professional fees	**108,020**	81,208
Marketing and investor relations	**17,615**	-
Office and administration	**81,930**	25,426
Project investigation costs	**23,834**	-
Regulatory and transfer agent	**5,142**	-
	3,238,465	1,257,495
Other expenses		
Impairment of mineral property (Note 6)	**-**	337,203
Foreign exchange loss, net	**34,030**	6,135
Loss for the period	**$ 3,272,495**	$ 1,600,833
Other comprehensive loss		
Unrealized currency loss on translation of foreign operations	**124,416**	134,105
Comprehensive loss for the period	**$ 3,396,911**	$ 1,734,938
Basic and diluted loss per share (Note 3(h) and 7(c))	**$ 0.03**	$ n/a[1]
Basic and diluted weighted average number of shares (Note 3(h) and 7(c))	**112,340,434**	n/a[1]

[1] Since Tier One was incorporated on July 23, 2020, loss per share information for the year ended December 31, 2019 is not applicable as Tier One did not exist as of December 31, 2019.

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

Tier One Silver Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars, except share amounts)

	Attributable to common shareholders of the Company					
	Number of common shares	**Share capital**	**Other comprehensive income (loss)**	**Deficit**	**Net parent investment (Note 2(b))**	**Total**
Balance at December 31, 2018	**-**	**$ -**	**$ -**	**$ -**	**$ 3,192,993**	**$ 3,192,993**
Cash contributions from parent	-	-	-	-	1,778,112	1,778,112
Non-cash contributions from parent (Note 8(a))	-	-	-	-	238,543	238,543
Other comprehensive loss	-	-		-	(134,105)	(134,105)
Net loss	-	-	-	-	(1,600,833)	(1,600,833)
Balance at December 31, 2019	**-**	**$ -**	**$ -**	**$ -**	**$ 3,474,710**	**$ 3,474,710**
Incorporation share	1	1	-	-	-	1
Cash contributions from parent	-	-	-	-	6,052,988	6,052,988
Non-cash contributions from parent (Note 8(a))	-	-	-	-	81,747	81,747
Other comprehensive income (loss)	-	-	(194,700)	-	70,284	(124,416)
Net loss	-	-	-	(1,643,203)	(1,629,292)	(3,272,495)
Issuance of shares pursuant to the Transaction on October 9, 2020 (Note 1(b))	112,340,433	7,980,153	70,284	-	(8,050,437)	-
Balance at December 31, 2020	**112,340,434**	**$ 7,980,154**	**$ (124,416)**	**$ (1,643,203)**	**$ -**	**$ 6,212,535**

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

Tier One Silver Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		Year ended December 31, 2020		Year ended December 31, 2019
Operating activities:				
Loss for the period	**$**	**(3,272,495)**	$	(1,600,833)
Non-cash transactions:				
Impairment of mineral property (Note 6)		**-**		337,203
Share-based compensation (Note 8(a))		**81,747**		222,629
Depreciation (Note 5)		**9,774**		9,742
Unrealized foreign exchange loss		**(11,881)**		-
Changes in non-cash working capital:				
Accounts receivable		**(13,471)**		-
Prepaid expenses and deposits (Note 4)		**(48,611)**		54,605
Accounts payable and accrued liabilities		**468,474**		(33,616)
Cash used in operating activities		**(2,786,463)**		(1,010,270)
Investing activities:				
Mineral property additions (Note 6)		**(529,393)**		(773,089)
Cash used in investing activities		**(529,393)**		(773,089)
Financing activities:				
Contributions from parent		**6,052,988**		1,778,112
Cash provided by financing activities		**6,052,988**		1,778,112
Effect of foreign exchange rates on changes on cash		**(33,709)**		-
Increase (decrease) in cash		**2,703,423**		(5,247)
Cash, beginning of the year		**25,915**		31,162
Cash, end of the year	**$**	**2,729,338**	$	25,915

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

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

(a) Corporate information

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

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

(b) Transaction arrangement

On July 29, 2020, Auryn Resources Inc. – now known as Fury Gold Mines Limited ("Fury Gold") and Eastmain Resources Inc. ("Eastmain") entered into a definitive agreement to combine their Canadian mineral businesses provided that 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 Tier One and completed a concurrent financing (collectively, the "Transaction").

The Transaction closed on October 9, 2020. As a result, Tier One received from Fury Gold, in exchange for 112,340,433 shares, representing the total outstanding shares of Fury Gold minus one share on the date of close, the following:

- all issued and outstanding shares of Corisur Peru, S.A.C. ("Corisur"), a Peruvian company which was incorporated on December 17, 2015 pursuant to the General Law of Companies (Ley General de Sociedades);
- all issued and outstanding shares of Magma Minerals, S.A.C. ("Magma"), a Peruvian company which was incorporated on January 31, 2020 pursuant to the same law;
- contributions from parent;
- mineral property interests including the Curibaya and Huilacollo projects; and
- closing date cash of approximately $3.8 million, representing 32.5% of the closing date cash of Fury Gold on the Transaction date close.

Concurrently on the date of close, Fury Gold distributed all of the issued Tier One shares to its shareholders. Fury Gold shareholders received, for each Fury Gold share held as of the closing date of the Transaction, a full share in Tier One.

The Company accounted for this common control transaction using book value accounting based on the book values recognized in the financial statements of the underlying subsidiaries. This results in the consolidated financial statements reflecting the combination as if it had occurred from the beginning of the period that the entities were under common control, regardless of the actual date the common control transaction closed.

(c) Nature of operations

The Company's primary asset is the Curibaya porphyry property in Southern Peru, which was staked by the Company in 2016 (Note 6). The Company has not yet determined whether the property contains mineral reserves where extraction is both technically feasible and commercially viable. Tier One operates in one reportable operating segment, being the acquisition, exploration and development of mineral resource properties in Peru.

As a normal part of the exploration process, Tier One 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.

(d) Going concern

As at December 31, 2020, the Company has net working capital of approximately $2.4 million while it incurred a net loss of approximately $3.3 million for the year ended December 31, 2020. The Company has incurred operating losses to date and does not generate cash flows from operations to support its activities. With no source of operating cash flow, there is no assurance that sufficient funding will be available to conduct further exploration and development of its mineral properties. The ability to continue as a going concern remains dependent upon Tier One's ability to obtain the financing necessary to continue to fund its mineral properties, the realization of future profitable production, proceeds from the disposition of its mineral interests, and/or other sources. These conditions create a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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

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

2. Basis of presentation

(a) Statement of compliance

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

These consolidated financial statements were approved and authorized for issuance on February 25, 2021, by the Board of Directors.

(b) Basis of measurement

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

Common control transaction

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

Net parent investment

The comparative financial statements for 2019 were prepared on a combined basis. An analysis of reserves and share capital is shown for 2020 and 2019. The amounts which reflect the carrying value of investments in the combined entities are disclosed as "Net parent investment". Since the Company was not a legal entity during 2019 and 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 2019. The amounts reflected as cash and non-cash contributions from parent in the consolidated statements of changes in equity refer to cash and non-cash contributions to the Company from Fury Gold.

(c) Basis of consolidation

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

The consolidated financial statements include the financial statements of the Company and its subsidiaries as follows:

Subsidiary	**Place of incorporation**	**Functional Currency**	**Beneficial Interest**
Corisur Peru, S.A.C.	Peru	USD	100%
Magma Minerals 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 consolidated 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 consolidated financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the consolidated financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

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

i. Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency to be the Canadian dollar, while the functional currency of its Peruvian subsidiaries is the United States dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

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

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

iii. Indications of impairment of assets

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

iv. Financial instruments

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

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

i. Provisions

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

ii. Reclamation obligations

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

As the Company's projects are in early-stage exploration, management estimated the provision to be $nil as at December 31, 2020 and 2019.

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 assumption used to develop them can materially affect the fair value estimate.

iv. Income taxes

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

v. Deferred tax assets and liabilities

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

3. Significant accounting policies

(a) Foreign currency translation

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

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

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

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

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

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

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

(b) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid short-term investments that are readily convertible to cash and have maturities with terms of less than ninety days and/or with original maturities over ninety days but redeemable on demand without penalty. The Company did not hold any cash equivalents at December 31, 2020 and 2019.

(c) Equipment

Equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Camp and field equipment	5-10 years
Machinery and heavy equipment	5-10 years

(d) 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.

(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. An individual is classified as an employee, versus a non-employee, when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

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

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

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

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

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

Currently, the Company has not granted share options to employee and non-employees. During the year ended Fury Gold allocated a certain amount of share-based compensation to the Company as described further in Note 8.

(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 for 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.

<u>Amortized cost</u>

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.

<u>Fair value through other comprehensive income ("FVTOCI")</u>

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

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

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

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

Financial assets measured subsequently at FVTPL

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

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

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

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

Financial liabilities

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

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

Impairment

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

(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) Changes in accounting standards

The Company has adopted the following amended accounting standards and policies effective January 1, 2020:

Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued Amendments to IAS 1 and IAS 8 to clarify the definition of material in IAS 1 and align the definition across the standards. The amendments are not intended to alter the underlying concept of materiality in IFRS standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term "material" to ensure consistency.

The Company adopted the amendments to IAS 1 and IAS 8 effective January 1, 2020, which did not have a material impact on the Company's consolidated financial statements.

Amendments to IFRS 3 – Business Combinations

The Company has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

As mentioned earlier, it was determined that IFRS 3 did not apply to the Transaction. Further, the adoption of the amended standard did not have an immediate impact on the Company's consolidated financial statements but may be applied in assessing any future business combination and asset acquisition scenarios.

Amendments to IFRS 16 – Leases

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before June 30, 2021 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2021 and increased lease payments that extend beyond June 30, 2021); and

c) There is no substantive change to other terms and conditions of the lease. To provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19, the IASB proposed an amendment to IFRS 16 which provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19- related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted.

This amendment did not have a significant impact to the Company's consolidated financial statements as the Company has not received any COVID-19 related rent concessions as of the date of these consolidated financial statements.

At the date of authorization of these consolidated financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

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

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

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

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The Company is currently evaluating the impact of this adoption and it is expected not to materially impact the financial statements.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. The Company is currently evaluating the impact of this adoption and it is expected not to materially impact the financial statements.

(Expressed in Canadian dollars)

4. Prepaid expenses and deposits

		December 31, 2020		December 31, 2019
Prepaids and deposits related to:				
Community and surface agreements	**$**	**145,653**	$	188,203
General, administration, and other		**109,482**		3,855
Exploration and evaluation expenditures		**-**		4,676
Mineral property interests		**-**		9,790
	$	**255,135**	$	206,524
Current portion		**148,323**		57,943
Long-term portion	**$**	**106,812**	$	148,581

The long-term portion of prepaid expenses and deposits relates to a community and surface agreement entered as part of the Huilacollo project. The agreement expires in 2024.

5. Equipment

		Cost		Accumulated Depreciation		Carrying Amount
Balance as at December 31, 2018	**$**	**50,475**	**$**	**(19,429)**	**$**	**31,046**
Depreciation		-		(9,742)		(9,742)
Currency translation adjustment		(2,419)		1,136		(1,283)
Balance as at December 31, 2019	**$**	**48,056**	**$**	**(28,035)**	**$**	**20,021**
Depreciation		-		(9,774)		(9,774)
Currency translation adjustment		(948)		1,157		209
Balance as at December 31, 2020	**$**	**47,108**	**$**	**(36,652)**	**$**	**10,456**

During the year ended December 31, 2020, the Company recorded $9,774 (December 31, 2019 - $9,742) of depreciation within exploration and evaluation costs in the consolidated statements of loss and comprehensive loss.

6. Mineral property interests

A continuity of the Company' mineral property interests for the year ended December 31, 2020 is as follows:

		Curibaya	Huilacollo	Other		Total
Balance as at December 31, 2019	**$**	**976,259**	**$ 2,261,291**	**$ -**	**$**	**3,237,550**
Mineral property additions		20,031	337,475	171,887		529,393
Currency translation adjustment		(9,579)	(63,747)	(5,708)		(79,034)
Balance as at December 31, 2020	**$**	**986,711**	**$ 2,535,019**	**$ 166,179**	**$**	**3,687,909**

The Company's porphyry projects, located in southern Peru, are outlined below:

i) Curibaya

Curibaya is a wholly-owned project that covers approximately 11,000 hectares in Southern Peru located 48 kilometres ("km") from the provincial capital, Tacna.

The Company incurred $2,441,613 and $712,147 of exploration and evaluation costs on Curibaya during the year ended December 31, 2020 and 2019, respectively.

ii) Huilacollo

Huilacollo epithermal property in the Tacna province of southern Peru is comprised of approximately 3,300 hectares of hydrothermal alteration. The rights were acquired through an option agreement (the "Huilacollo Option") with a local Peruvian company, Inversiones Sol S.A.C.

Below is a schedule of work expenditures and cash payments required under the agreement of which US$5.0 million in work expenditures has been completed to date.

Due Dates	**Payment & Work Expenditure Status**		**Property Payments (in '000 US$)**		**Work Expenditures (in '000 US$)**
Effective Date (May 11, 2016)	Completed	$	250	$	-
May 11, 2018	Completed		500		2,000
May 11, 2019	Completed		-		3,000
May 11, 2020	Completed		250		-
May 11, 2021			250		2,000
May 11, 2022			7,500		-
Total		**$**	**8,750**	**$**	**7,000**

Effective April 3, 2020, the Company declared force majeure under its Huilacollo option as a result of the COVID-19 shutdown in Peru which allowed the Company to defer the option payment that was due May 11, 2020. Force Majeure was lifted on June 5, 2020, due to the Peruvian Government easing COVID-19 restrictions. As a result, the option payment became due in July 2020 and together with the finder's fee was then paid.

The Company incurred $137,767 and $273,096 of exploration and evaluation costs on Huilacollo during the year ended December 31, 2020 and 2019, respectively.

iii) Other

On February 7, 2020, the Company formally gave notice to the option holder that it was terminating the agreement to earn an 100% interest in the Baños del Indio gold project, which is just north of the Company's Huilacollo project, effective March 8, 2020. Despite the Company acting in good faith in its negotiations with the community, the Company was unable to reach an access agreement with the local community in order to initiate its exploration program on the Baños properties and as such the Company chose to terminate the Baños Option in accordance with the agreement. The Company had previously incurred a total of $337,203 (US$256,000) in option fees and other acquisition costs in relation to the Baños del Indio property, all of which were impaired as at December 31, 2019.

(Expressed in Canadian dollars)

During the last quarter of 2020, the Coastal Batholith project was staked. The Coastal Batholith is comprised of five target areas on the coast of Peru, totaling 41,000 hectares, with both precious and base metal opportunities. The project is in the early exploration stage and the Company has capitalized concession and other addition costs until it decides not to pursue further.

The Company incurred $48,362 of exploration and evaluation costs on other projects during the year ended December 31, 2020 ($nil – December 31, 2019). As at December 31, 2020, the Company has accrued mining concession fees of $128,206 relating to the exploration projects. Previously, the Company misstated this by expensing these fees when paid due to the uncertainty regarding the timing and amounts of payment due. During the year ended December 31, 2020, the Company recorded the accrual recorded in addition to a payment of $131,613 (December 31, 2019 - $140,551) for concession fees paid during the year but relating to the prior year.

7. Share capital

(a) Authorized

Unlimited common shares without par value

(b) Common share issuances

On July 23, 2020, Tier One incorporated with one share.

On October 9, 2020, Tier One issued 112,340,433 shares, reflecting the number of issued and outstanding shares of Fury Gold immediately prior to the close of the Transaction minus one share, as described under Note 1. There were no other share issuances during the year ended December 31, 2020.

(c) Loss per share

As Fury Gold was the parent company of Tier One prior to the Transaction, basic and diluted loss per share information for the year ended December 31, 2019 is not applicable. For the year ended December 31, 2020, the weighted average number of shares outstanding for the year has been calculated assuming the shares issued during the Transaction were outstanding for the full year:

	December 31, 2020
Net loss	$ 3,272,495
Weighted average number of shares outstanding	112,340,434
Basic and diluted loss per share	$ 0.03

8. 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.

(Expressed in Canadian dollars)

(a) Related party transactions

	Years ended December 31, 2020	2019
Universal Mineral Services Ltd.[1]	$ 406,185	$ 44,724
Sombrero Minerales, S.A.C.[2]		
Wages	-	60,006
Office	-	29,350
Subtotal	-	89,356
Total transactions for the periods	**$ 406,185**	**$ 134,080**

[1] Universal Mineral Services Ltd., ("UMS") is a private company with certain directors and officers in common with Tier One. 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.

[2] Sombrero Minerales, S.A.C. ("Sombrero") is a company with certain directors and officers in common with Tier One.

During the year ended December 31, 2020, Tier One paid Torq Resources Inc. ("Torq"), a company with certain directors and officers in common with Tier One, $50,000 as a partial reimbursement of costs incurred for some preliminary technical work on a mineral project owned by Tier One after Torq decided to focus on projects outside of Peru, for which payment the Company obtained title to and the benefits of the technical database related to this work.

During the year ended December 31, 2020, $81,747 (December 31, 2019 – $222,629) of share-based compensation and $78,244 (December 31, 2019 - $29,271) of exploration and evaluation expenditures from Fury Gold were allocated to the Company, respectively.

Fury Gold uses the fair value method of accounting for all share-based payments. The fair value of the share-based options granted up to the date of the Transaction and the year ended December 31, 2019 were estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	September 30, 2020	December 31, 2019
Risk-free interest rate	0.39%	1.59%
Expected dividend yield	Nil	Nil
Share price volatility	58%	62%
Expected forfeiture rate	0%	0%
Expected life in years	4.90	4.33

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

After the close the Transaction, there was no further allocation of stock-based compensation. The Company did not have any outstanding share options and share purchase warrants at December 31, 2020.

(b) Related party balances

As at December 31, 2020, $96,293 (December 31, 2019 - $nil) was included in accounts payable and $50,000 (December 31,2019 - $nil) was in prepaids expenses and deposits relating to transactions with UMS.

(Expressed in Canadian dollars)

Also included in accounts payable and accrued liabilities was $84,000 (December 31, 2019 - $nil) owed to Fury Gold related to the closing cash pursuant to the Transaction, which has been paid subsequent to the year end.

(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:

		December 31, 2020
Salary and benefits provided to executives	$	143,243
Directors fees paid to non-executive directors		25,022
	$	**168,265**

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:

		31-Dec-20		31-Dec-19
Loss before income taxes	**$**	**(3,272,495)**	$	(1,600,833)
Effective income tax rates		**27.00%**		29.50%
Expected income tax recovery		**(883,574)**		(472,246)
Increase (decrease) in income tax recovery resulting from:				
Difference in Peruvian income tax rates		**(53,100)**		-
Foreign exchange		**37,390**		-
Non-deductible items and other		**182,304**		202,536
Increase in unrecognized tax asset		**717,052**		269,710
Income tax recovery	**$**	**-**	$	-

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

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

		December 31, 2020		December 31, 2019
Non-capital losses carried forward	**$**	**1,251,275**	$	363,585
Equipment		**25**		778
Mineral property interests		**1,993,005**		2,132,748
Peruvian VAT Receivable		**262,989**		293,129
		3,507,293		2,790,240
Unrecognized deferred tax assets		**(3,507,293)**		(2,790,240)
Net deferred tax balance	**$**	**-**	$	-

(c) Tax losses

As at December 31, 2020, the Company has Canadian non-capital losses of approximately $314,547 (December 31, 2019 - $nil) which may be carried forward to reduce taxable income of future years, and which, if unused expire in 2040.

The Company has Peruvian non-capital losses of approximately $3,953,694 (December 31, 2019 – $1,232,500), which may be carried forward to reduce taxable income of future years, and which, if unused, expire 2021 through 2024.

10. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, 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 December 31, 2020 and 2019 there were no financial instruments measured at fair value.

The Company's financial instruments are exposed to credit risk and liquidity risk. As at December 31, 2020, 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. As at December 31, 2020, the Company has working capital of $2,407,358 (December 31, 2019 - $68,558). The Company held cash and cash equivalents of $2,729,338 at December 31, 2020 (December 31, 2019 - $25,915), which is entirely unrestricted.

Market risk

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

Currency risk

The Company is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency (the functional currency of each Corisur and Magma is the US dollar). As at December 31, 2020 and December 31, 2019, the Company's foreign currency exposure relates primarily to cash, prepaid expenses and deposits, and accounts payable and accrued liabilities that are in majority either US dollars or Peruvian soles.

(Expressed in Canadian dollars)

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

		December 31, 2020		December 31, 2019
Financial assets	**$**	**824,196**	$	232,439
Financial liabilities		**(118,217)**		(15,300)
Net exposure	**$**	**705,979**	$	217,139

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

11. Segmented information

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

Tier One was not subjected to restrictions on its cash and cash equivalents as at December 31, 2020 and 2019.

12. Management of capital

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

	Years ended December 31,	
	2020	**2019**
Equity	$ 6,212,535	$ 3,474,710
Less cash and cash equivalents	(2,729,338)	(25,915)
	$ 3,483,197	**$ 3,448,795**

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

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

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

13. Subsequent events

On February 1, 2021, the Company announced it entered into an option agreement dated January 12, 2021, to acquire 100% of the Emilia property in southern Peru, which will be treated as an asset acquisition. The project represents a porphyry – iron oxide copper-gold opportunity and is located by the coast approximately 80 km southwest from Arequipa and 7 km west from National Highway 15 with access to infrastructure. In order to exercise the option, Tier One must make cash payments totaling US$10.0 million over 5 years. The Company is required to incur work expenditures totaling US$100,000 within the first year and US$240,000 in the second year. The amount increases to US$800,000 should Tier One utilize diamond drilling processes.

On February 11, 2021, Tier One announced a non-brokered private placement of up to 10 million common shares (the "Shares") at an offering price of $1.00 per Share for gross proceeds of up to $10.0 million (the Offering"). The Offering is limited to accredited investors and other investors who are eligible to purchase Shares exempt from prospectus and registration requirements. The Company intends to use the net proceeds from the Offering to fund the upcoming drill program at the Curibaya project, acquisition costs, and continued surface exploration at the Emilia and Coastal Batholith projects and for general working capital.