



(An exploration stage business)

Sombbrero Resources Inc.

Management's Discussion & Analysis
For the three months ended March 31, 2021

Dated: May 17, 2021

Sombrero Resources Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three months ended March 31, 2021 (In Canadian dollars, unless otherwise noted)

1. HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND THE PERIOD UP TO MAY 17, 2021

- On March 31, 2021, the Company entered into an Option Agreement with S.M.R.L. Ximenita De Casma ("Ximenita") to acquire the Soldaduyocc concession in Peru. Under the terms of the Agreement, Sombrero Minerales S.A.C., a wholly owned subsidiary of Sombrero, has the option to acquire the Soldaduyocc concession for US\$199,500. An initial payment of US\$79,500 has been paid on execution of the Agreement, and the option is granted for an 18-month period until September 16, 2022, at which time the final option payment of US\$120,000 is payable to exercise the option and acquire the concession in full. Should the option be exercised, a 0.5% net smelter return remains on the concession, payable on all minerals extracted and commercialized.
- On March 1, 2021, the Company agreed with the owner of the Mollecruz concessions to extend the force majeure declaration for another 24 months and paid US\$50,000 as consideration. As a result, the Company is able to continue deferment of the June 2019 and 2020 payments and any subsequent property payments and work expenditures until May 20, 2023.

< Refer to the section 2.1 for cautionary wording concerning forward-looking information >

2. DATE AND FORWARD-LOOKING STATEMENTS

This MD&A of Sombrero has been prepared by management to assist the reader to assess material changes in the condensed consolidated interim financial statements and results of operations of the Company as at March 31, 2021 and for the three month period then ended.

This MD&A reviews the financial results of the Company for the three months ended March 31, 2021. Commentary is made on the results for the period under review.

This MD&A should be read in conjunction with the condensed consolidated interim financial statements of the Company and related notes thereto as at and for the three months ended March 31, 2021 and 2020. The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB"). IFRS include International Accounting Standards ("IAS") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). All financial information has been prepared in accordance with IFRS and all dollar amounts presented are Canadian dollars unless otherwise stated.

The effective date of this MD&A is May 17, 2021.

2.1 Forward-looking statements and risk factors

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Company, including but not limited to statements with respect to the Company's plans or future financial or operating performance, the estimation of mineral reserves and resources, conclusions of economic assessments of projects, the timing and amount of estimated future production, costs of future production, future capital expenditures, costs and timing of the development of deposits, success of exploration activities, permitting time lines, requirements for additional capital, sources and timing of additional financing, realization of unused tax benefits and future outcome of legal and tax matters.

The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate", "believe", "estimate", "expect", "budget", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

The statements reflect the current beliefs of the management of the Company and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements. These uncertainties are factors that include but are not limited to risks related to international operations; general economic conditions; public health crises such as the COVID-19 pandemic and other uninsurable risks; actual results of current exploration activities and unanticipated reclamation expenses; fluctuations in prices of gold and other commodities; fluctuations in foreign currency exchange rates; increases in market prices of mining consumables; possible variations in mineral resources, grade or recovery rates; accidents, labour disputes, title disputes, claims and limitations on insurance coverage and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; changes in national and local government regulation of mining operations, tax rules and regulations, and political and

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economic developments in countries in which the Company operates; as well as other factors.

The Company's management periodically reviews information reflected in forward-looking statements. The Company has and continues to disclose in its MD&A and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking statements and to the validity of the statements themselves, in the period the changes occur. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

The operations of the Company are speculative due to the high-risk nature of its business which is the exploration of mining properties. For a comprehensive list of the risks and uncertainties facing the Company, please see "Risk Factors" in the former parent company, Fury Gold Limited's ("Fury Gold") most recent annual information form ("AIF"). These are not the only risks and uncertainties that Sombrero faces. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business operations. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. Readers should refer to the risks discussed in the Fury Gold's AIF and MD&A for the year ended December 31, 2020, and subsequent continuous disclosure filings with the Canadian Securities Administrators available at www.sedar.com. These documents are for information purposes only and not incorporated by reference in this MD&A. Additional information relating to the Company and its operations can also be found on the Company's website at www.sombreroresources.com. For discussion regarding the former parent company, refer to the SEDAR profile for Fury Gold.

3. DESCRIPTION OF THE BUSINESS

The Company continues to focus on creating significant value for shareholders through the exploration and potential discovery of world-class copper and gold deposits in southeast Peru. The Company is a reporting issuer in British Columbia, Alberta and Ontario. Management is planning to apply for listing on the TSX in 2021 and has initiated this process. As at the date of this MD&A, the corporate organization structure remains the same as the most recent annual financial statements of the Company, with one wholly owned subsidiary, Sombrero Minerales S.A.C. The Company's focus continues to be the Sombrero project, a copper-gold project, located in southern Peru, covering approximately 130,000 hectares acquired through a combination of staking and option agreements. The Company was spun out of its former parent company, Fury Gold, in October 2020 (the "Transaction") described in the Company's consolidated financial statements for the year ended December 31, 2020.

3.1 Impacts of COVID-19

The Company continues to provide much-needed support to the Huanca Sancos, Lucanamarca and San Jose Huarcaya communities during the health crisis by providing essential food and other supplies to which there was restricted access during the shutdown. Furthermore, the work plan during the three months ended March 31, 2021 consisted of continuing the drill permitting process and working with the Huanca Sancos community, while observing COVID transmission prevention protocols, to deliver a positive outcome for the Consulta Previa process to ensure support of the Company's drill program at Sombrero.

As the situation surrounding COVID-19 continues to develop daily, the Company will continue to monitor the situation closely and respond appropriately.

4. DISCUSSION OF OPERATIONS

Three months ended March 31, 2021 and 2020 (Q1 2021 vs. Q1 2020)

During the three months ended March 31, 2021, the Company reported a loss of \$832,709 compared to a loss of \$455,564 for the same period in 2020. Significant variances within operating expenses and other expenses, which in combination resulted in the \$377,145 increase in the current period's loss, are discussed as follows:

Operating expenses

- Exploration and evaluation costs in Q1 2021 were \$398,423 compared to \$394,609 in Q1 2020, a small increase of \$3,814 or 1%, as activities on the Sombrero project continued.
- The comparative information provided for Q1 2020 derives from carve-out financial statements prepared for the business of Sombrero; certain costs were not incurred during this comparative period. This includes fees, salaries, and other employee benefits, and marketing and investor relations, as these costs were carried by the former

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parent, Auryn Resources Inc (now Fury Gold). The costs incurred in Q1 2021 relate to corporate management team, corporate directors and investor communications.

- Legal and professional fees were \$104,652 in Q1 2021 compared to \$11,950 in Q1 2020, representing an increase of \$92,702 largely as a result of being a separate corporate entity. Sombrero is a reporting issuer incurring audit and review fees, as well as legal and other professional costs.
- Office and administration costs increased \$31,759 from \$32,122 in Q1 2020 to \$63,881 in Q1 2021, as Sombrero completed the spin-out from Fury Gold and became a separate entity.
- Project investigation costs were \$20,377 in Q1 2021 as compared to \$11,479 in Q1 2020, as the Company evaluated new projects for exploration potential.

Other expenses and income:

- Foreign exchange loss remained consistent from \$5,404 in Q1 2020 to \$4,689 in Q1 2021, driven by foreign-currency denominated transactions.

Summary of Project Costs

During the three months ended March 31, 2021, the Company incurred \$185,041 of mineral property additions, primarily in relation to the initial payment on the Soldaduyocc concession, and \$398,423 in exploration and evaluation costs on Sombrero, the Company's main project.

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

Exploration and evaluation costs	Sombrero
Permitting, environmental and community costs	\$ 44,780
Salaries and wages	118,005
Camp cost, equipment and field supplies	67,143
Concession holding costs	99,797
Geological consulting services	23,110
Aircraft & travel	25,539
Geophysical analysis	17,736
Fuel and consumables	2,313
Total for the three months ended March 31, 2021	\$ 398,423

No exploration and evaluation costs were incurred on the Soldaduyocc concession as this was acquired on March 31, 2021.

Future operations and community involvement

Following the completion of the Transaction in October 2020, Sombrero plans to apply to list its shares on the TSX in 2021 and has initiated this process.

As mentioned earlier, the Company continues to have regular communications with the Huanca Sancos, Lucanamarca

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and San Jose Huarcaya communities and is actively working towards securing long term access agreements with these communities. The Company is ready to advance its drill permitting efforts once the community access agreements are in place.

The Company continues to support communities with applications to Agroideas, a government organization that sponsors agricultural programs within the local area.

5. SUMMARY OF QUARTERLY RESULTS

Three months ended	Loss for the period	Comprehensive loss
	\$	\$
March 31, 2021	832,709	888,665
December 31, 2020	892,426	1,132,397
September 30, 2020	691,616	682,395
June 30, 2020	558,880	607,507
March 31, 2020	455,564	351,269
December 31, 2019	535,665	557,200
September 30, 2019	483,763	472,064
June 30, 2019	1,243,703	1,264,399

During the last eight quarters, the Company's net loss has ranged between \$455,564 and \$1,243,703. Historically, the largest losses were generally recorded in the second and fourth quarters due to the timing of option payments, however since the exercise of the Alturas option in August 2020, the declaration of Force Majeure on the Molleacruz option in 2019 and the rescheduling of the Aceros option payments, more recent quarters have had more consistent results. As a result of logistical restrictions due to COVID-19, the Company's activities remain relatively low, focused on community engagement and environmental work, as well as maintaining the concessions held in good standing. Furthermore, the Company incurred additional expense in the fourth quarter of 2020 and first quarter of 2021 arising from the corporate restructuring and initiation of the listing application process.

6. FINANCIAL POSITION, LIQUIDITY, AND CAPITAL RESOURCES

	March 31, 2021	December 31, 2020
Cash	\$ 6,902,781	\$ 7,850,131
Accounts receivable	\$ 6,527	\$ 7,308
Mineral property interests	\$ 5,174,345	\$ 5,053,193
Current liabilities	\$ 914,990	\$ 834,616

The Company did not have any restricted cash nor did it have long-term liabilities at March 31, 2021 and December 31, 2020. The working capital balance at March 31, 2021 was \$6,157,915 (December 31, 2020 - \$7,167,732). Contractual obligations as at March 31, 2021, are reflected in the table below and include accounts payable and accrued liabilities of \$914,990.

Contractual Obligations as of March 31, 2021	Payment terms	Amount
Accounts payable and accrued liabilities	Immediately	\$ 914,990
Total		\$ 914,990

During the three months ended March 31, 2021, the Company used cash of \$759,312 in operating activities as compared to \$773,944 during the three months ended March 31, 2020. The cash outflow during Q1 2021 was consistent with the cash outflow in Q1 2020 despite the higher loss in the current quarter, due to a large account payable settlement in the comparable quarter.

During the three months ended March 31, 2021, the Company used cash in investing activities of \$185,041 whereas \$1,044 was used in Q1 2020. During the quarter the Company entered into an option arrangement with an initial payment of approximately \$100,600 (US\$80,000), as well as approximately \$65,000 (US\$50,000) payment relating to the extension of the force majeure on Molleacruz property [and other eligible capital costs].

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During the three months ended March 31, 2020, the business of Sombrero, for which the carve-out financial statements were prepared, earned contributions from its former parent company, Fury Gold, of \$824,929 to conduct its operations. No such contributions were received during the three months ended March 31, 2021, as Sombrero was incorporated in Q3 2020.

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

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

Capital Resources

The Company held cash of \$6,902,781 at March 31, 2021. Working capital was \$6,157,915 at March 31, 2021. As of the date of this MD&A, Sombrero plans to apply to list its shares on the TSX in 2021 and has initiated this process.

The former parent, Fury Gold allocated a certain portion of share-based compensation and exploration and evaluation costs to the Company. Refer to the Fury Gold's financial statements and its MD&A for further share option information.

7. OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements. Earn-in arrangements are not viewed as off-balance sheet arrangements, and there are no other commitments held by the Company at the balance sheet date.

8. TRANSACTIONS WITH RELATED PARTIES

8.1 Related party 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.

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

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

During the three months ended March 31, 2021, \$nil (March 31, 2020 – \$55,307) of share-based compensation and \$nil (March 31, 2020 - \$132,067) of exploration and evaluation expenditures from Fury Gold were allocated to the Company, respectively.

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

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

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

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

8.2 Related party balances

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

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

8.3 Key management compensation

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

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

9. SUBSEQUENT EVENTS

None.

10. CRITICAL ACCOUNTING 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.

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

10.1 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

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events. Uncertainties exist with respect to estimates made by management and as a result, the actual expenditure may differ from amounts currently reported.

The Company does not have any provisions recorded as at March 31, 2021 and December 31, 2020.

10.2 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 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 expenditure 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 March 31, 2021 and December 31, 2020.

10.3 Share-based compensation

During the three months ended March 31, 2021, \$nil (three months ended March 31, 2020 - \$55,307) of share-based compensation from the Fury Gold was allocated to the Company. As mentioned earlier, there was no further allocation of share-based compensation after the close of the Transaction.

10.4 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.

10.5 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. The Company's deferred tax assets and liabilities were determined using a future income tax rate of 27% in Canada and 29.5% in Peru.

11. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company confirms that it has adopted and continued the same accounting policies that were disclosed in the consolidated financial statements for the year ended December 31, 2020, except as follows:

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

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12. FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As at March 31, 2021, the Company's financial instruments consist of cash, accounts receivable, deposits, accounts payables and accrued liabilities. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The Company's financial instruments are exposed to certain financial risks including credit risk, liquidity risk, market risk and currency risk. Details of the primary risks that the Company is exposed to are laid out in the notes to the Company's condensed consolidated interim financial statements.

13. OTHER REQUIRED DISCLOSURE

13.1 Capital structure

The capital structure of the Company is as follows:

Authorized: Unlimited number of common shares

Number of common shares issued and outstanding as at May 17, 2021: 112,340,434

Number of common shares issued and outstanding as at March 31, 2021: 112,340,434

13.2 Disclosure controls and procedures

Details relating to disclosure controls and procedures, and internal control over financial reporting, are disclosed in the Company's MD&A for the year ended December 31, 2020.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management is responsible for establishing and maintaining effective internal control over financial reporting. All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

During the quarter ended March 31, 2021, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

On behalf of the Board of Directors,

"Ivan Bebek"

Ivan Bebek

President and Chief Executive Officer

May 17, 2021