

Interra Copper Corp.
(Formerly IMC International Mining Corp.)

Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)



Independent Auditor's Report

To the Shareholders of Interra Copper Corp.

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 2 in the consolidated financial statements, which indicates that the Company recorded a net loss of \$ 1,654,012 and, as at December 31, 2021, the Company had an accumulated deficit of \$ 5,421,265 and working capital of \$ 581,693. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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 the information included in Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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



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

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

The engagement partner on the audit resulting in this independent auditor's report is Gordon Cummings.

Vancouver, B.C.
April 28, 2022

"D&H Group LLP"
Chartered Professional Accountants

Interra Copper Corp. (formerly IMC International Mining Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	December 31, 2021	December 31, 2020 (Note 4)
		\$	\$
ASSETS			
Current			
Cash		490,825	907,658
Prepaid expenses and deposits	5	67,916	182,729
GST receivable		123,762	72,760
		682,503	1,163,147
Reclamation bond	6	25,000	10,000
Exploration and evaluation assets	7	5,817,265	3,804,195
Total assets		6,524,768	4,977,342
LIABILITIES			
Accounts payable and accrued liabilities	10	100,810	13,914
Total liabilities		100,810	13,914
SHAREHOLDERS' EQUITY			
Share capital	9, 13	7,487,958	6,155,449
Reserve	9	4,357,265	2,575,232
Accumulated deficit		(5,421,265)	(3,767,253)
Total shareholders' equity		6,423,958	4,963,428
Total liabilities and shareholders' equity		6,524,768	4,977,342

Nature of operations and going concern (Notes 1, 2)

Subsequent events (Note 14)

These consolidated financial statements were authorized for issue by the Board of Directors on April 28, 2022.

Approved on behalf of the Board of Directors:

"DW J. McAdam"

Director

"T. Greg Hawkins"

Director

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

Interra Copper Corp. (formerly IMC International Mining Corp.)**Consolidated Statements of Loss and Comprehensive Loss**

(Expressed in Canadian dollars, except number of shares)

	Note	Years ended December 31,	
		2021	2020
		\$	\$
OPERATING EXPENSES			
Advertising and marketing		472,126	1,895,414
Consulting		25,000	63,324
Director fees	10	43,175	21,375
Filing fees		56,524	61,054
General and administrative		61,757	31,086
Investor relations		100,021	38,842
Management fees	10	245,612	177,139
Professional fees		65,394	74,445
Share-based payments	9, 10	750,993	707,909
Travel		3,081	6,030
Total operating expenses		1,823,683	3,076,618
OTHER (INCOME) EXPENSES			
Amortization of flow-through premium liability	8	(489,937)	-
Foreign exchange loss		18	36,325
Impairment of exploration and evaluation assets	7	317,596	-
Interest expense		2,652	-
Total other (income) expenses		(169,671)	36,325
Loss and comprehensive loss for the year		1,654,012	3,112,943
Loss per share			
Basic and diluted		0.02	0.07
Weighted average number of common shares outstanding			
Basic and diluted		69,336,328	44,870,055

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

Interra Copper Corp. (formerly IMC International Mining Corp.)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars, except number of shares)

	Note	Common shares	Share capital	Reserve	Accumulated deficit	Total shareholders' equity
		#	\$	\$	\$	\$
Balance, December 31, 2019 (Note 4)		27,205,392	686,128	620,942	(654,310)	652,760
Warrants exercised	9	14,476,922	916,112	(128,804)	-	787,308
Options exercised	9	900,000	144,000	-	-	144,000
Units issued for private placement	9	6,253,166	1,443,485	842,734	-	2,286,219
Flow-through shares issued	8, 9	400,000	260,000	-	-	260,000
Shares issued as compensation	9	177,158	88,437	-	-	88,437
Shares issued for Thane	6, 9	5,463,158	2,595,000	-	-	2,595,000
Flow-through units issued	9	3,333,334	674,327	325,673	-	1,000,000
Share issuance cost	9	-	(652,040)	206,778	-	(445,262)
Share based payments	9, 10	-	-	707,909	-	707,909
Net loss for the year		-	-	-	(3,112,943)	(3,112,943)
Balance, December 31, 2020 (Note 4)		58,209,130	6,155,449	2,575,232	(3,767,253)	4,963,428
Warrants exercised	9	1,200,000	68,496	(8,496)	-	60,000
Flow-through units issued	9	9,798,740	1,303,572	656,176	-	1,959,748
Flow-through premium liability	8, 9	-	(489,937)	-	-	(489,937)
Units issued for private placement	9	6,288,033	626,299	316,906	-	943,205
Share issuance costs	9	-	(175,921)	66,454	-	(109,467)
Share-based payments, net of cancellations	9, 10	-	-	750,993	-	750,993
Net loss for the year		-	-	-	(1,654,012)	(1,654,012)
Balance, December 31, 2021		75,495,903	7,487,958	4,357,265	(5,421,265)	6,423,958

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

Interra Copper Corp. (formerly IMC International Mining Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended December 31,	
	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Loss for the year	(1,654,012)	(3,112,943)
Item not affecting cash		
Amortization of flow-through premium liability	(489,937)	-
Impairment of exploration and evaluation assets	317,596	-
Share-based payments	750,993	707,909
Net changes in non-cash working capital items:		
Accounts receivable	-	(62,734)
Prepaid expenses and deposits	114,813	90,831
GST receivable	(51,002)	-
Accounts payable and accrued liabilities	86,896	(80,820)
Net cash used in operating activities	(924,653)	(2,457,757)
INVESTING ACTIVITIES		
Promissory note receivable	-	195,974
Reclamation bond	(15,000)	(10,000)
Investment in exploration and evaluation assets	(2,330,666)	(943,030)
Net cash used in investing activities	(2,345,666)	(757,056)
FINANCING ACTIVITIES		
Proceeds from private placements	-	4,120,702
Proceeds from issuance of units	1,959,748	-
Proceeds from issuance of flow-through units	943,205	-
Share issuance costs	(109,467)	-
Proceeds from exercise of warrants	60,000	-
Net cash provided by financing activities	2,853,486	4,120,702
Change in cash	(416,833)	905,889
Cash, beginning of the year	907,658	1,769
Cash, end of the year	490,825	907,658
Supplemental cash flow information:		
Interest paid	2,652	-
Income taxes paid	-	-
Non-cash share issuance costs	59,472	206,778

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

Interra Copper Corp. (formerly IMC International Mining Corp.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Interra Copper Corp. (formerly IMC International Mining Corp.) (the “Company” or “Interra”) was incorporated under the laws of British Columbia on August 30, 2018, for the purposes of a plan of arrangement (the “Arrangement”) with Chemesis International Inc. (“Chemesis”).

On February 1, 2019, Chemesis transferred all of the issued and outstanding common shares of its wholly owned subsidiary, Canadian Mining of Arizona Inc. (“CMAI”), to Interra in exchange for 6,493,242 Interra common shares. Further, the Company granted 610,000 options at a weighted average exercise price of \$0.265 per option and 458,028 warrants at an exercise price of \$0.125.

On January 2, 2020, the Company split its shares on a 2:1 basis. All common shares, warrants and options in these consolidated financial statements are stated post-split.

The Company is a junior mineral exploration company engaged in the acquisition, exploration and evaluation of natural resource properties in British Columbia, Canada. The Company currently has one mineral exploration property, which is the Thane Property located in north-central British Columbia (Note 7).

Interra’s registered and records office is Suite 2200 HSBC Building, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8. On September 23, 2019, the common shares of the Company were approved for listing on the Canadian Securities Exchange (the “CSE”) and commenced trading on September 24, 2019, under the symbol “IMCX”. On March 3, 2020, the common shares of the Company were listed on the Frankfurt Stock Exchange under the symbol “3MX”. On February 26, 2021, the common shares of the Company were quoted on the OTCQB Marketplace under the symbol “IMIMF” in the United States.

2. GOING CONCERN

These consolidated financial statements (the “financial statements”) have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different basis of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future.

As at December 31, 2021, the Company had working capital of \$581,693 (December 31, 2020 - \$1,149,233) and accumulated deficit of \$5,421,265 (December 31, 2020 - \$3,767,253). During the year ended December 31, 2021, the Company incurred a net loss of \$1,654,012 (2020 - \$3,112,943) and expects to incur further losses in the development of its business. To date the Company has not earned any revenue and is considered to be in the exploration stage. The Company’s operations are funded from equity financings which are dependent upon many external factors. Although management considers that the Company has adequate resources to maintain its core operations and planned exploration programs on its existing exploration and evaluation assets for the next twelve months, the Company recognizes it will be required to obtain additional financing beyond this period. While the Company has been successful in securing financings in the past there can be no assurance that it will be able to do so in the future.

There is material uncertainty about whether the Company will be able to obtain the required financing and complete or develop a business. This material uncertainty may cast significant doubt on the Company’s ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to reported carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

The coronavirus pandemic continues to have global impacts on workforces, economies, and financial markets. It is not possible for the Company to predict the duration or magnitude of any adverse effects that the pandemic may have on the Company’s business or ability to raise funds. As of the date of these interim financial statements, COVID-19 has had no impact on the Company’s ability to access and explore its current properties but may impact the Company’s ability to raise funding or explore its properties should travel restrictions related to COVID-19 be extended or expanded in scope.

Interra Copper Corp. (formerly IMC International Mining Corp.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

3. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), effective for the financial year ended December 31, 2021. IFRS include International Accounting Standards (“IAS”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

b) Basis of measurement

These financial statements have been prepared on a historical cost basis except for those financial instruments which have been classified at fair value through profit or loss. In addition, except for cash flow information, these financial statements have been prepared using the accrual method of accounting. All dollar amounts presented are in Canadian dollars unless otherwise specified.

c) Basis of consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries (collectively, the “Company”). Subsidiaries are all entities over which the Company is able, directly, or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Subsidiaries are de-consolidated from the date that control by the Company ceases. Intercompany balances and transactions are eliminated upon consolidation. These financial statements incorporate the accounts of the Company and the following subsidiaries:

	Country of incorporation	Holding	Functional currency
Thane Minerals Inc.	Canada	100%	Canadian dollar
Canadian Mining of Arizona Inc.	US	100%	Canadian dollar

d) Significant judgements, estimates & assumptions

The preparation of the Company’s financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Critical accounting judgments

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management’s strategic planning. Should those judgments prove to be inaccurate, management’s continued use of the going concern assumption could be inappropriate.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

Interra Copper Corp. (formerly IMC International Mining Corp.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

3. BASIS OF PRESENTATION (CONTINUED)

Functional currency

Determination of an entity's functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operations and is re-evaluated when facts and circumstances indicate that conditions have changed.

Going concern

The assessment of the Company's ongoing viability as an operating entity and determination of the related disclosures require significant judgment.

Impairment of exploration and evaluation assets

The Company is required to make significant judgments regarding the capitalization of the costs incurred in respect to its exploration and evaluation assets. The Company is also required to make significant judgments on the ongoing feasibility of mineral exploration, and whether there are indicators that the development of a specific area is unlikely, and exploration and evaluation assets should be impaired.

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 apply those findings to the Company's transactions.

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Share-based payments

The fair value of stock options issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Completeness of reclamation liabilities

Management determines the future costs the Company will incur to complete the rehabilitation work that is required to comply with existing laws, regulations, and agreements in place at each exploration site. Actual costs incurred may differ from those amounts estimated. Future changes to environmental laws and regulations could increase the extent of rehabilitation work required by the Company. Management determined at the date of the Statement of Financial Position that no material rehabilitation provisions were required under IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*.

Interra Copper Corp. (formerly IMC International Mining Corp.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES

a) Exploration and evaluation assets

(i) Pre-license costs

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred.

(ii) Exploration and evaluation costs

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized as incurred, unless future economic benefit is not expected to be realized. The Company capitalizes, on a property by property basis, the costs of acquiring, maintaining its interest in, and exploring and evaluating mineral properties until such time as the lease expires, it is abandoned, sold, or considered impaired in value. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not depreciated during the exploration and evaluation stage.

Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's titles. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

b) Decommissioning and restoration

The Company is subject to various governmental laws and regulations relating to the protection of the environment. The environmental regulations are continually changing and are generally becoming more restrictive.

Decommissioning and restoration obligations encompass legal, statutory, contractual, or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset. The retirement of a long-lived asset is reflected by another-than temporary removal from service, including sale of the asset, abandonment, or disposal in some other manner.

The fair value of a liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is depreciated on either the unit-of-production basis or the straight-line basis, as appropriate.

The Company's estimates of its provision for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised.

Interra Copper Corp. (formerly IMC International Mining Corp.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Impairment of exploration and evaluation assets

Management reviews the carrying values of its exploration and evaluation assets on an annual basis, or when an impairment indicator exists, to determine whether an impairment should be recognized. In making its assessment, management considers, among other things, exploration results to date and future exploration plans for a particular property. In addition, acquisition costs related to relinquished property rights are written off in the period of relinquishment. Capitalized acquisition costs in respect of the Company's exploration and evaluation assets may not be recoverable and there is a risk that these costs may be written down in future periods. Impairment is charged through statement of loss and comprehensive loss.

The recoverability of amounts shown as exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

d) Functional currency

The functional currency is the currency of the primary economic environment in which an entity operates and may differ from the currency in which the entity enters transactions. The functional currency of the Company and its subsidiary is the Canadian dollar.

Transactions in currencies other than the functional currency are translated to the functional currency at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in currencies other than the functional currency are translated to the functional currency using the exchange rate prevailing on the date of the statement of financial position, while non-monetary assets and liabilities are translated at historical rates.

Exchange gains and losses arising from the translation of foreign currency-denominated transactions or balances are recorded as a component of net loss in the period in which they occur.

e) Provisions

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense.

f) Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Interra Copper Corp. (formerly IMC International Mining Corp.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit. Deferred tax liabilities on temporary differences associated with shares in subsidiaries and joint ventures is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

g) Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares were granted. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity. The Company uses the relative fair value method with respect to the measurement of shares and warrants issued as private placement units. The Company considers the fair value of common shares to be the closing quoted bid price on the issuance date and the fair value of share purchase warrants are estimated by the Black-Scholes option pricing model at the date of issuance. The proportionate value attributed to warrants is recorded as reserves.

h) Share issuance costs

Share issuance costs, which include commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital. Share issue costs incurred from the issuance of flow-through shares are charged directly to share capital and expense in proportion to the value of the Company's shares at time of issue and any flowthrough share premium.

Interra Copper Corp. (formerly IMC International Mining Corp.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Share-based payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received is not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value-based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and certain non-employees. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged either to profit or loss or exploration and evaluation properties, with the offsetting credit to reserves. For directors, employees and consultants, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. If options vest immediately, the expense is recognized when the options are issued. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

Any cumulative adjustment prior to vesting is recognized in the applicable period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in contributed surplus are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in reserves.

j) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

k) Loss per share

Basic loss per share is computed by dividing net loss (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted loss per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments. In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. Therefore, basic and diluted loss per share are the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

l) Comprehensive loss

Total comprehensive loss comprises all components of profit or loss and other comprehensive income (loss). Other comprehensive income includes items such as gains and losses on re-measuring available-for-sale financial assets and the effective portion of gains and losses on hedging instruments in a cash flow hedge.

Interra Copper Corp. (formerly IMC International Mining Corp.)

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss in the period in which they arise. Financial assets and liabilities carried at FVTOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in compressive income or loss in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss.

n) Change in accounting policy to account for units

During the year ended December 31, 2021, the Company changed the accounting policy with respect to the measurement of units comprising shares and warrants from the residual method to the relative fair value method as the Company believes it better reflects the fair value of the respective equity instruments. As a result, the measurement of the units issued in the years ended December 31, 2020 and 2019 were adjusted retrospectively to reflect the change.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The effects of the accounting policy change on the Consolidated Statement of Financial Position as at December 31, 2019, are summarized as follows:

	As at December 31, 2019		
	As previously reported	Adjustments	As recast
	\$	\$	\$
Share capital	1,016,820	(330,692)	686,128
Reserve	290,250	330,692	620,942

- The share capital decreased by \$330,692 and reserves increased by \$330,692 due to the re-allocation of proceeds from share capital to warrants reserve under the relative fair value method.

The effects of the accounting policy change on the Consolidated Statement of Financial Position as at December 31, 2020, are summarized as follows:

	As at December 31, 2020		
	As previously reported	Adjustments	As recast
	\$	\$	\$
Share capital	7,525,744	(1,370,295)	6,155,449
Reserve	1,204,937	1,370,295	2,575,232

- The share capital decreased by \$1,370,295 and reserves increased by \$1,370,295 due to the re-allocation of proceeds from share capital to warrants reserve under the relative fair value method.

5. PREPAID EXPENSES AND DEPOSITS

	December 31, 2021	December 31, 2020
	\$	\$
Prepaid advertising and marketing services	67,916	182,729

6. ACQUISITION OF THANE MINERALS INC.

On March 31, 2020, the Company completed its acquisition of Thane Minerals Inc. (“Thane”), which holds a 100% interest in the Thane property (the “Thane Property”), located in north-central British Columbia.

As consideration for the acquisition of 100% of the issued and outstanding Thane common shares, Interra agreed to issue to the then shareholders of Thane (the “Vendors”) an aggregate \$2,500,000 common shares in the capital of the Company at a fair market value of \$0.475 per common share, representing 5,263,158 shares. The purchased shares are escrowed and released over a 36-month period (the “Purchased Shares”).

The Company also issued 200,000 common shares at a fair market value of \$0.475 to a finder as compensation in connection with the transaction.

In addition to the foregoing, if through additional exploration programs, a resource calculation of at least 800,000,000 lbs of copper-equivalent is determined by a National Instrument 43-101 compliant resource estimate to be indicated within the Thane Property project area, then the Company will issue an additional aggregate of \$2,000,000 worth of common shares (or cash in lieu) to the Vendors.

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6. ACQUISITION OF THANE MINERALS INC. (CONTINUED)

This transaction was accounted for as an asset acquisition in line with IFRS 3. The value of the shares issued over the value of Thane's shares was attributed to exploration and evaluation assets.

	\$
Cost of acquisition	
5,463,158 common shares at a fair value of \$0.475 per share	2,595,000
Share issuance costs	93,865
Total cost of acquisition	2,688,865
Fair value of net assets acquired	
Cash	589
Receivables	7,198
Reclamation bond	10,000
Exploration and evaluation assets	2,674,728
Total assets	2,692,515
Current liabilities	(3,650)
Net assets acquired	2,688,865

On February 8, 2021, the Company entered into a non-binding letter of intent to acquire an unproven mineral interest from two directors. The Company anticipates the purchase price will be \$50,000 and a 1% net smelter return royalty. The proposed acquisition is subject to negotiation of a definitive agreement and satisfaction or waiver of other conditions. As at December 31, 2021, the non-binding letter of intent is still open and has not yet been ratified into a definitive agreement.

On May 25, 2021, the Company engaged CME Consultants Inc. to manage and supervise the 2021 exploration program for the Thane Property. The projected costs of \$2,400,000 agreed to 2021 budget.

7. EXPLORATION AND EVALUATION ASSETS

	As at December 31, 2021		As at December 31, 2020	
	Bullard Pass	Thane Project	Bullard Pass	Thane Project
	\$	\$	\$	\$
Acquisition costs	74,435	2,674,728	74,435	2,674,728
Deferred exploration costs	243,161	3,142,537	243,161	811,871
Impairment of exploration and evaluation assets	(317,596)	-	-	-
	-	5,817,265	317,596	3,486,599

Interra Copper Corp. (formerly IMC International Mining Corp.)**Notes to the Consolidated Financial Statements**

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

	Bullard Pass	Thane Project	Total
	\$	\$	\$
Balance, January 1, 2020	266,165	-	266,165
Exploration costs			
Prospecting	13,923	811,871	825,794
Acquisition costs			
Claim registration	37,508	-	37,508
Acquisition of Thane	-	2,674,728	2,674,728
Balance, December 31, 2020	317,596	3,486,599	3,804,195
Exploration costs			
Aircraft rental	-	396,163	396,163
Assaying	-	157,973	157,973
Camp costs	-	337,551	337,551
Drilling expenditures	-	789,633	789,633
Geological consulting	-	528,719	528,719
Geophysics	-	76,225	76,225
Prospecting	-	44,402	44,402
Impairment of exploration and evaluation assets	(317,596)	-	(317,596)
Balance, December 31, 2021	-	5,817,265	5,817,265

a) Bullard Pass Project

The Company had 171 mineral claims in the vicinity of the Harcuvar and Harquahala Mountains, Yavapai County, Arizona, United States. On February 1, 2019, the Company completed the spin out transaction to acquire the mineral property claims described above.

Effective September 1, 2021, the Company decided not to pursue further work on the Bullard Pass project in Arizona, in order to focus 100% of its efforts and company resources on the Thane Project. As a result, the Company expensed all costs incurred on the property as an impairment of exploration and evaluation assets of \$317,596 in the last quarter of the year ended December 31, 2021.

b) Thane Project

The Thane Property (Note 6) comprises 50,904 acres of contiguous claims located in the Quesnel Terrane of north-central British Columbia. The northern part of the Quesnel Terrane extends from south of the Mt. Milligan Mine northward to the Kemess Mine, with the Thane Property located midway between these two copper-gold porphyry deposits. This property includes several highly prospective mineralized areas identified to date, including the “Cathedral Area” on which the Company’s exploration is currently focused.

8. FLOW-THROUGH PREMIUM LIABILITY

The Company entered into flow-through share subscription agreements on May 13, 2020, and July 22, 2020 (Note 9), whereby it is committed to incur on or before December 31, 2021, a total of \$1,260,000 of qualifying Canadian exploration expenditures. The value of the flow-through units in excess of the quoted market value of shares on the date of issuance and the fair value of share purchase warrants issued was not set up as a liability at the time these shares were issued.

Funds raised through the issuance of flow-through shares are required to be expended on qualifying Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures.

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8. FLOW-THROUGH PREMIUM LIABILITY (CONTINUED)

On April 16, 2021, the Company completed a private placement for gross proceeds of \$1,422,624 through the issuance of 6,486,870 flow-through units (“FT Units”) at the price of \$0.20 per FT Unit and 835,000 standard equity units (the “Units”) at the price of \$0.15. The FT Units were issued at a premium of \$0.05 per FT Unit.

On May 19, 2021, the Company completed a private placement for gross proceeds of \$1,253,829 through the issuance of 2,386,870 FT Units at a price of \$0.20 per FT Unit and 5,176,366 Units at the price of \$0.15. The FT Units were issued at a premium of \$0.05 per FT Unit.

On October 29, 2021, the Company completed a private placement for gross proceeds of \$201,500 through the issuance of 925,000 FT Units at a price of \$0.20 per FT Unit and 110,000 Units at the price of \$0.15. The FT Units were issued at a premium of \$0.05 per FT Unit.

Below is a summary of the flow-through financing and the related flow-through share premium liability of the year ended December 31, 2021:

	FT Units issued	FT Unit price	Premium per FT Unit	Flow-through premium liability
	#	\$	\$	\$
April 16, 2021	6,486,870	0.20	0.05	324,343
May 19, 2021	2,386,870	0.20	0.05	119,344
October 29, 2021	925,000	0.20	0.05	46,250
	9,798,740			489,937

The following table is a continuity of the flow-through funds raised, the eligible expenditures renounced along with the corresponding impact on the flow-through premium liability:

	Flow-through funding and eligible expenditures renounced	Flow-through premium liability
	\$	\$
Balance, December 31, 2020 and 2019	-	-
Flow-through funds raised	1,959,748	489,937
Eligible expenditures renounced	(1,959,748)	(489,937)
Balance, December 31, 2021	-	-

9. EQUITY**a) Authorized share capital**

The authorized share capital of the Company consists of unlimited common shares with no par value.

b) Shares issued

During the year ended December 31, 2021, the Company had the following share transactions:

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9. EQUITY (CONTINUED)

- i) On April 16, 2021, the Company closed a non-brokered private placement financing comprising 6,486,870 flow-through units at a price of \$0.20 per FT Unit for gross proceeds of \$1,297,374, and 835,000 Units at a price of \$0.15 per Unit for gross proceeds of \$125,250. Each FT Unit consists of one flow-through share and one warrant. Each Unit consists of one common share and one warrant. A warrant may be exercised for one common share at price of \$0.30 for a period of twenty-four months from the closing date of the private placement. As a result, \$941,260 was allocated to share capital and \$481,364 was allocated to warrants reserve. The fair value of common shares was based on the market close on the date the FT Units and Units were issued, and the fair value of the warrants was determined using the Black-Scholes pricing model with the following assumptions:

	April 16, 2021
Share price	\$0.20
Expected life	2 years
Expected volatility	118.00%
Risk-free rate	0.29%
Dividend yield	0.00%

- ii) On May 19, 2021, the Company closed a non-brokered private placement financing comprising 2,386,870 FT Units at a price of \$0.20 per FT Unit for gross proceeds of \$477,374, and 5,176,366 Units at a price of \$0.15 per Unit for gross proceeds of \$776,455. Each FT Unit consists of one flow-through share and one warrant. Each Unit consists of one common share and one warrant. A warrant may be exercised for one common share at price of \$0.30 for a period of twenty-four months from the closing date of the private placement. As a result, \$832,992 was allocated to share capital, and \$420,837 was allocated to warrants reserve. The fair value of common shares was based on the market close on the date the FT Units and Units were issued, and the fair value of the warrants was determined using the Black-Scholes pricing model with the following assumptions:

	May 19, 2021
Share price	\$0.20
Expected life	2 years
Expected volatility	116.00%
Risk-free rate	0.29%
Dividend yield	0.00%

- iii) On May 28, 2021, the Company closed a private placement financing comprising 166,667 Units at \$0.15 per Unit for gross proceeds of \$25,000. Each Unit consists of one common share and one warrant. A warrant may be exercised for one common share at price of \$0.30 for a period of twenty-four months from the closing date of the private placement. As a result, \$16,165 was allocated to share capital, and \$8,835 was allocated to warrants reserve. The fair value of common shares was based on the market close on the date the Units were issued, and the fair value of the warrants was determined using the Black-Scholes pricing model with the following assumptions:

	May 28, 2021
Share price	\$0.26
Expected life	2 years
Expected volatility	116.00%
Risk-free rate	0.51%
Dividend yield	0.00%

Interra Copper Corp. (formerly IMC International Mining Corp.)**Notes to the Consolidated Financial Statements**

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9. EQUITY (CONTINUED)

Pursuant to the FT Unit and Unit financings, the Company incurred \$175,921 of share issuance costs including \$66,454 fair value for 554,778 broker warrants exercisable at \$0.20 with a two-year term. The fair value of the warrants was determined using the Black-Scholes pricing model with the following weighted average assumptions:

	2021
Share price	\$0.20
Expected life	2 years
Expected volatility	117.26%
Risk-free rate	0.30%
Dividend yield	0.00%

- iv) On October 29, 2021, the Company closed a non-brokered private placement financing comprising 925,000 FT Units at a price of \$0.20 per FT Unit for gross proceeds of \$185,000, and 110,000 Units at a price of \$0.15 per Unit for gross proceeds of \$16,500. Each FT Unit consists of one flow-through share and one warrant. Each Unit consists of one common share and one warrant. A warrant may be exercised for one common share at price of \$0.30 for a period of twenty-four months from the closing date of the private placement. As a result, \$139,454 was allocated to share capital, and \$62,046 was allocated to warrants reserve. The fair value of common shares was based on the market close on the date the FT Units and Units were issued, and the fair value of the warrants was determined using the Black-Scholes pricing model with the following assumptions:

	October 29, 2021
Share price	\$0.16
Expected life	2 years
Expected volatility	113.00%
Risk-free rate	1.08%
Dividend yield	0.00%

- v) During the year ended December 31, 2021, the Company issued 1,200,000 common shares on the exercise of 1,200,000 warrants for gross proceeds of \$60,000. As a result, \$8,496 was allocated from reserves to share capital.

During the year ended December 31, 2020, the Company had the following share transactions:

- i) On February 21, 2020, the Company closed a non-brokered private placement financing comprising 3,110,000 Units at a price of \$0.25 per Unit for gross proceeds of \$777,500. Each Unit consists of one common share and one warrant. A warrant may be exercised for one common share at price of \$0.40 for a period of twenty-four months from the closing date of the private placement. As a result, \$489,631 was allocated to share capital, and \$287,869 was allocated to warrants reserve. The fair value of common shares was based on the market close on the date the Units were issued, and the fair value of the warrants was determined using the Black-Scholes pricing model with the following assumptions:

	February 24, 2020
Share price	\$0.45
Expected life	2 years
Expected volatility	108.00%
Risk-free rate	1.42%
Dividend yield	0.00%

Interra Copper Corp. (formerly IMC International Mining Corp.)**Notes to the Consolidated Financial Statements**

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9. EQUITY (CONTINUED)

- ii) On April 16, 2020, the Company entered into a 24 month draw down equity financing facility (the ‘Investment Agreement’) of up to \$8,000,000 with Alumina Partners (Ontario) Ltd. (‘Alumina’), an affiliate of Alumina Partners LLC, a New York based private equity firm, for the purpose of continuing its growth strategy through exploration and acquisition. The Investment Agreement details the purchase of up to \$8,000,000 of the Company’s units, each unit consisting of one common share and one common share purchase warrant, at discounts ranging between 15% to 25% of the market price of the common shares. The financing is at the mutual consent of the Company and Alumina, throughout the 24-month term of the Investment Agreement. The exercise price of the purchase warrants will be at a 50% premium over the market price of the common shares with a 60-month term from the date of closing. There are no upfront fees or interest associated with the use of the use of the draw down facility. There has been no draw down to date.
- iii) On May 13, 2020, the Company closed a brokered private placement financing (the “Offering”) consisting of units and flow-through shares as led by Gravitas Securities Inc. for total gross proceeds of \$1,768,720. The private placement consists of 3,143,166 Units of the Company at a price of \$0.48 per Unit for gross proceeds of \$1,508,720, 400,000 common shares issued on a flow-through basis at a price of \$0.65 per flow-through share for gross proceeds of \$260,000 (the “Flow-Through Offering”), and 177,158 shares were issued as compensation.

Each Unit consists of one common share and one warrant. A warrant may be exercised for one common share at price of \$0.60 for a period of twenty-four months from the closing date of the private placement. As a result, \$953,855 was allocated to share capital, and \$554,865 was allocated to warrants reserve. The fair value of common shares was based on the market close on the date the Units were issued, and the fair value of the warrants was determined using the Black-Scholes pricing model with the following assumptions:

	May 13, 2020
Share price	\$0.65
Expected life	2 years
Expected volatility	110.00%
Risk-free rate	0.28%
Dividend yield	0.00%

In connection with the Offering, the Company paid the agent a cash fee of \$141,498. Additionally, the Company issued 251,453 broker unit warrants to the agents. Each broker unit warrant entitles the holder to acquire one unit at any time for a period of two years from the date of issuance at an exercise price of \$0.48 per broker unit warrant. Each broker unit consists of one common share and one share purchase warrant exercisable into an additional common share at an exercise price of \$0.60 per share for a period of two years.

The Company also issued 32,000 broker flow-through warrants to the agents. Each broker flow-through warrant entitles the holder to acquire one common share of the Company at any time for a period of two years from the date of issuance at an exercise price of \$0.70 per common share. The Company also paid the agents a corporate finance fee paid by the issuance of 20,000 common shares and 157,158 broker warrants at an exercise price of \$0.60 per common share for a period of two years.

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9. EQUITY (CONTINUED)

- iv) On July 22, 2020, the Company closed a non-brokered private placement financing comprising 3,333,334 FT Units at a price of \$0.30 per FT Unit for gross proceeds of \$1,000,000. Each FT Unit consists of one flow-through share and one warrant. A warrant may be exercised for one common share at price of \$0.40 for a period of twenty-four months from the closing date of the private placement. As a result, \$674,327 was allocated to share capital, and \$325,673 was allocated to warrants reserve. The fair value of common shares was based on the market close on the date the FT Units were issued, and the fair value of the warrants was determined using the Black-Scholes pricing model with the following assumptions:

	July 22, 2020
Share price	\$0.29
Expected life	2 years
Expected volatility	109.00%
Risk-free rate	0.27%
Dividend yield	0.00%

c) Warrants

As of December 31, 2021, the following warrants were outstanding:

	Number of warrants	Weighted average exercise price
	#	\$
Balance, January 1, 2020	20,646,150	0.07
Exercised	(14,476,922)	0.05
Issued	8,296,152	0.48
Balance, December 31, 2020	14,465,380	0.32
Exercised	(1,200,000)	0.05
Issued	16,641,551	0.30
Expired	(4,969,228)	0.13
Balance, December 31, 2021	24,937,703	0.36

Expiry date	Number of warrants	Weighted average exercise price	Weighted average remaining life
	#	\$	
February 21, 2022	3,197,000	0.40	0.14
May 13, 2022	3,300,324	0.60	0.36
May 13, 2022	32,000	0.70	0.36
July 22, 2022	1,766,828	0.40	0.56
April 16, 2023	7,321,870	0.30	1.29
April 16, 2023	398,781	0.20	1.29
May 19, 2023	144,331	0.20	1.38
May 19, 2023	7,563,236	0.30	1.38
May 28, 2023	11,666	0.20	1.41
May 28, 2023	166,667	0.30	1.41
October 28, 2023	1,035,000	0.30	1.82
Balance, December 31, 2021	24,937,703	0.36	1.02

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9. EQUITY (CONTINUED)

d) Unit warrants

In connection with the private placement closed on May 13, 2020, the Company issued 251,453 broker unit warrants (the "Unit Warrants"). Each Unit Warrant is exercisable at \$0.48 for a period of two years, and when exercised converts into one common share and one common share purchase warrant exercisable at \$0.60 for a period of two years from the date of issuance.

e) Options

On July 12, 2019, the Company adopted an equity incentive plan (the "Plan") whereby up to 20% of the outstanding shares of the Company as of the date of grant have been reserved for the grant and issuance to its employees, officers, directors, and consultants. Awards that may be granted under the Plan to eligible persons include stock options, restricted share rights and deferred share units. With respect to stock options, the exercise price of any stock option may not be set at less than the minimum price permitted by the CSE. The aggregate number of options granted to any one individual during any 12-month period may not exceed 5% of the issued shares of the Company, or 2% in the case of consultants and investor relations representatives.

Stock options are exercisable for a period of five years from the date of granting or such greater (maximum 10 years) or lesser period as determined by the board of directors of the Company (the "Board"). The Board also determines vesting of stock options; however, stock options granted to any person engaged in investor relations activities will vest over a period of not less than 12 months with no more than 25% of the stock options vesting in any three-month period.

On July 3, 2020, the Company granted 4,150,000 stock options with an exercise price of \$0.30 and expiration date of July 3, 2025, to certain officers and/or directors of the Company. A total of 1,037,500 of these stock options vested immediately and the remainder vest over 24 months.

On November 9, 2020, the Company granted 1,000,000 stock options with an exercise price of \$0.19 and expiration date of November 9, 2025 to certain officers and/or directors of the Company. These stock options vest over a period of 16 months.

On January 5, 2021, the Company granted 2,100,000 stock options with an exercise price of \$0.25 and expiration date of January 5, 2026, to consultants and an officer/director of the Company. These stock options vest over a period of 18 months.

On January 13, 2021, the Company announced it has appointed Freeform Communications Inc. ("Freeform") to provide investor relations and on-line marketing services. Under the terms of the agreement, Freeform has been engaged for a 6-month term at \$4,000 per month. The Company also granted to Freeform 250,000 stock options that vest over a period of 18 months with an exercise price of \$0.25 and an expiration date of January 12, 2023.

On March 1, 2021, the Company granted 400,000 stock options that vest over a period of 18 months with an exercise price of \$0.25 and an expiration date of March 1, 2024, to a consultant.

On July 6, 2021, the Company granted 1,800,000 stock options that vest over a period of 18 months with an exercise price of \$0.22 and an expiration date of July 6, 2026, to certain officers and/or directors of the Company.

On July 28, 2021, the Company granted 600,000 stock options that vest over a period of 18 months with an exercise price of \$0.22 and an expiration date of July 28, 2026, to a director of the Company.

During the years ended December 31, 2021 and 2020, the Company recorded \$750,993 and \$707,909, respectively of share-based payment expense related to vesting of stock options granted by the Company.

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9. EQUITY (CONTINUED)

The fair value of stock options granted during the years ended December 31, 2021 and 2020 have been estimated using the Black-Scholes pricing model with the following weighted average assumptions:

	2021	2020
Share price	\$0.20	\$0.26
Exercise price	\$0.25	\$0.28
Expected option life	4.7 years	5 years
Expected volatility	117.41%	110.00%
Risk-free rate	0.49%	0.46%
Dividend yield	0.00%	0.00%

As at December 31, 2021, 9,722,500 options were outstanding and had a weighted average remaining life of 3.67 years. The following stock options are issued under the stock option plan:

	Number of options outstanding	Weighted average exercise price
	#	\$
Balance, December 31, 2019	2,895,000	0.26
Options granted	5,150,000	0.25
Options expired/cancelled	(1,810,000)	0.24
Balance, December 31, 2020	6,235,000	0.26
Options granted	5,150,000	0.24
Options expired/cancelled	(1,662,500)	0.25
Balance, December 31, 2021	9,722,500	0.25

Expiry date	Number of options outstanding	Number of options exercisable	Weighted average exercise price	Remaining contractual life
	#	#	\$	Years
June 9, 2022	15,000	15,000	0.25	0.44
January 12, 2023	250,000	125,000	0.25	1.03
July 22, 2023	170,000	170,000	0.50	1.56
March 1, 2024	400,000	200,000	0.25	2.17
September 24, 2024	650,000	650,000	0.16	2.73
July 3, 2025	3,187,500	2,762,500	0.30	3.51
November 9, 2025	950,000	725,000	0.19	3.86
January 5, 2026	1,700,000	850,000	0.25	4.02
July 6, 2026	1,800,000	450,000	0.22	4.52
July 28, 2026	600,000	150,000	0.22	4.58
Balance, December 31, 2021	9,722,500	6,097,500	0.25	3.67

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10. RELATED PARTY DISCLOSURES

Key management personnel are the directors and officers of the Company. Amounts paid to key management personnel and/or entities over which they have control during the years ended December 31, 2021 and 2020 are as follows:

	Years ended December 31,	
	2021	2020
	\$	\$
Director fees	43,175	21,375
General and administrative	17,150	-
Management fees	245,612	176,139
Share-based payments	394,441	707,909
	700,378	905,423

CEO - During the year ended December 31, 2021, \$113,806 (2020 - \$111,000) was paid to companies controlled by directors of the Company for CEO-related services, of which \$41,806 was paid to the current CEO and \$72,000 was paid to the former CEO prior to August.

COO - During the year ended December 31, 2021, \$25,050 (2020 - \$nil), was paid to an officer of the Company for COO-related services.

During the year ended December 31, 2021, \$2,328,530 (2020 - \$nil) was paid for exploration expenditures and \$17,150 was paid for general and administrative expenses to a company controlled by an officer and director of the Company.

CFO - During year ended December 31, 2021, \$60,208 (2020 - \$34,155), was paid to companies controlled by officers of the Company for CFO-related services provided, of which \$47,048 was paid to the current CFO and \$24,500 was paid to the former CFO prior to July.

Corporate Secretary - During the year ended December 31, 2021, \$47,048 (2020 - \$20,984), was paid to a company controlled by an officer of the Company for corporate secretarial-related services provided.

As at December 31, 2021, \$83,270 (December 31, 2020 - \$nil) was included in accounts payable and accrued liabilities for amounts due to a related party.

11. MANAGEMENT OF CAPITAL

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

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Capital risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain operations. The capital structure of the Company consists of share capital.

Credit risk

Credit risk is the risk that a counter party will be unable to pay any amounts owed to the Company. Management's assessment of the Company's exposure to credit risk is low.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at December 31, 2021, the Company's working capital is \$581,693 (December 31, 2020 - \$1,149,233), and it does not have any long-term monetary liabilities. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2021, the Company has cash of \$490,825 (December 31, 2020 - \$907,658), prepaid expenses of \$67,916 (December 31, 2020 - \$182,729), and GST receivable of \$123,762 (December 31, 2020 - \$72,760), and accounts payable and accrued liabilities of \$100,810 (December 31, 2020 - \$13,914).

Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities.

Fair value of financial instruments

As at December 31, 2021 and 2020, the Company's financial instruments consist of cash, GST receivable, and accounts payable and accrued liabilities. Cash, GST receivable, and restricted cash are measured at amortized cost. Accounts payable and accrued liabilities are measured at amortized cost.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of hierarchy are:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (e.g., as prices) or indirectly (e.g., derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Cash is measured at fair value using level 1 inputs. The carrying value of accounts receivable, prepaid expenses and deposits, GST receivable, accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity. Assets and liabilities are classified on the lowest level of input that is significant to the fair value measurement.

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13. INCOME TAXES

The reconciliation of the income taxes provision computed at statutory rates with the reported taxes is as follows:

	2021	2020
	\$	\$
Loss for the year	(1,654,012)	(3,112,943)
Tax rate	27%	27%
Expected income tax recovery	(447,000)	(840,300)
Non-deductible expenditures and non-taxable revenues	71,000	191,200
Unrecognized benefit of temporary differences	376,000	649,100

The significant components of the Company's unrecognized deferred tax assets and liabilities are as follows:

Unrecognized deferred tax assets (liabilities)	2021	2020
	\$	\$
Share issuance costs and financing fees (20(1)(e))	98,000	69,000
Non-capital losses	1,093,000	764,000
Exploration and evaluation assets	(1,077,000)	408,000
Flow-through shares	(21,000)	-
Unrecognized deferred tax assets	(93,000)	(1,241,000)
Net deferred tax assets	-	-

As at December 31, 2021 and 2020, the amounts of deductible temporary differences for which no deferred tax assets (liabilities) have been recognized are as follows:

	2021	Expiry date range	2020	Expiry date range
Temporary differences	\$		\$	
Share issuance costs and financing fees	362,000	2022 to 2045	254,000	2021 to 2044
Non-capital losses	4,049,000	2039 to 2041	2,829,000	2039 to 2040
Exploration and evaluation assets	(3,989,000)	No expiry date	1,511,000	No expiry date
Flow-through shares	(79,000)	No expiry date	-	No expiry date

14. SUBSEQUENT EVENTS

On April 20, 2022, the Company announced its intention to consolidate its issued and outstanding common shares on the basis of one (1) post-consolidation common share for every nine (9) pre-consolidation common shares (the "Share Consolidation"). The Share Consolidation is expected to result in the number of issued and outstanding common shares being reduced from 75,495,903 pre-consolidation to approximately 8,388,435 post-consolidation, subject to any rounding differences.

On February 21, 2022, 3,197,000 common share purchase warrants with a weighted average exercise price of \$0.40 expired unexercised.