Arizona Sonoran Copper Company Inc.

Consolidated Financial Statements - December 31, 2024

(Expressed in thousands of United States dollars, except where otherwise indicated)

Independent auditor's report

To the shareholders of Arizona Sonoran Copper Company Inc.

Opinion

We have audited the consolidated financial statements of **Arizona Sonoran Copper Company Inc.** and its subsidiaries [the "Company"], which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRSs"].

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.

Other matter

The consolidated financial statements of the Company for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on March 12, 2024.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $7.4 million during the year ended December 31, 2024 and, as of that date, the Company's deficit amounted to $41.5 million. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material uncertainty related to going concern* section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other information

Management is responsible for the other information. The other information comprises 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, 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, 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 IFRSs, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young LLP

Ernst & Young LLP
March 27, 2025

Chartered Professional Accountants
Licensed Public Accountants

Arizona Sonoran Copper Company Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in thousands of United States dollars)

	Notes		December 31, 2024		December 31, 2023
ASSETS					
Current assets					
Cash	1	$	31,741	$	10,494
Receivables			123		10,071
Prepaid expenses and other			170		157
			32,034		20,722
Non-current assets					
Exploration and evaluation assets	5		99,148		89,751
Property and equipment	7		4,267		3,544
Right-of-use asset			16		63
			103,431		93,358
Total assets		$	135,465	$	114,080
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	8	$	2,591	$	8,322
Other current liabilities	5		5,980		-
Current portion of lease liability			16		64
			8,587		8,386
Non-current Liabilities					
Other long-term liabilities	5		-		5,671
Nuton option deposit	6		11,484		4,853
Nuton option	6		10,000		10,000
DSU liability	10		785		620
Non-current portion of Lease liability			-		3
			22,269		21,147
Total liabilities			30,856		29,533
SHAREHOLDERS' EQUITY					
Share capital	10		137,424		111,167
Contributed surplus	10		8,701		7,456
Deficit			(41,516)		(34,076)
Total shareholders' equity			104,609		84,547
Total liabilities and shareholders' equity		$	135,465	$	114,080

Description of business and going concern (Note 1)
Commitments and contingencies (Note 12)
Events after the reporting year (Note 17)

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

Arizona Sonoran Copper Company Inc.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in thousands of United States dollars, except for per share amounts)

For the years ended	**Notes**	**December 31, 2024**	**December 31, 2023**
Expenses			
Salaries and wages		$ 1,769	$ 2,220
Share-based compensation	10	1,197	1,936
Professional fees		613	566
Directors' fees	11	596	660
Marketing and administration		1,226	959
Loss before other items		5,401	6,341
Other expenses/(income)			
Accretion		1,262	492
Finance expenses (income) and foreign exchange		1,587	(52)
Depreciation and amortization		66	63
Loss on marketable securities		-	11
Interest income		(600)	(859)
Loss on transaction	8	(96)	2,359
Gain on incentive plan	10	(180)	(1,366)
Loss from other expenses		2,039	648
Loss and comprehensive loss for the year		$ 7,440	$ 6,989
Loss per share			
Basic and diluted		0.06	0.07
Weighted average number of common shares outstanding			
Basic and diluted		115,092,409	105,487,376

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

Arizona Sonoran Copper Company Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of United States dollars)

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total
		$	$	$	$
Balance at January 1, 2023	88,832,714	86,016	7,053	(27,087)	65,982
Shares issued for cash, net	16,229,140	22,776	-	-	22,776
Shares issued to settle obligation	41,076	50	-	-	50
Warrants exercised	3,856,757	2,198	(347)	-	1,851
Options exercised	107,649	127	(10)	-	117
Stock options reserve	-	-	2,259	-	2,259
RSU reserve	-	-	42	-	42
LTIP reserve	-	-	(843)	-	(843)
DSU reserve	-	-	(698)	-	(698)
Loss for the year	-	-	-	(6,989)	(6,989)
Balance at December 31, 2023	109,067,336	111,167	7,456	(34,076)	84,547
Balance at January 1, 2024	109,067,336	111,167	7,456	(34,076)	84,547
Shares issued for cash, net	25,956,259	25,982	-	-	25,982
Warrants exercised	114,583	46	(12)	-	34
Options exercised	299,552	148	(68)	-	80
RSUs vesting	86,222	81	(81)	-	-
Stock options reserve	-	-	1,172	-	1,172
RSU reserve	-	-	234	-	234
Loss for the year	-	-	-	(7,440)	(7,440)
Balance at December 31, 2024	135,523,952	137,424	8,701	(41,516)	104,609

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

(Expressed in thousands of United States dollars)

For the years ended	**Notes**	**December 31, 2024**	**December 31, 2023**
Cash used in:			
Operating activities			
Loss for the year		($7,440)	($6,989)
Adjustments to reconcile loss before tax to net cash flows:			
Share-based compensation	10	1,407	2,301
Accretion		644	(462)
Depreciation and amortization		118	111
Long term incentive		-	(843)
Interest and finance expense, net		-	3
Directors' fees paid in shares		165	(77)
Shares issued to settle obligation		-	50
Unrealized loss on foreign exchange		1,184	82
Changes in working capital items			
Receivables		-	163
Prepaid expenses and other		(13)	(67)
Accounts payable and accrued liabilities	8	(5,783)	(5,796)
Net cash used in operating activities		(9,719)	(11,524)
Investing activities			
Expenditures on exploration and evaluation assets	5,6	(21,088)	(26,374)
Expenditures on equipment		-	(9)
Property payments	7	(794)	(912)
Net cash used in investing activities		(21,882)	(27,295)
Financing activities			
Proceeds from private placement, net	10	25,982	22,776
Payments received from Nuton	6	28,000	4,853
Proceeds from stock options exercise		80	117
Proceeds from warrants exercise		34	1,851
Lease payments		(64)	(64)
Net cash provided by financing activities		54,032	29,533
Net increase/(decrease) in cash		22,431	(9,286)
Effect of exchange rate changes on cash		(1,184)	(82)
Cash at beginning of the year		10,494	19,862
Cash at the end of the year		$31,741	$10,494

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

1. Description of Business and Going Concern

Arizona Sonoran Copper Company Inc. ("ASCU" or the "Company") is a company focused on the assessment, consolidation, exploration, development, and eventual mining in the Santa Cruz Copper Mining District in southern Arizona. Its shares began trading on the Toronto Stock Exchange ("TSX") under the symbol ASCU on November 16, 2021 and on March 29, 2022, the Company began trading on the Over-the-Counter Markets ("OTCQX") under the symbol "ASCUF".

The Company is incorporated in British Columbia, Canada and is the parent company of its direct and indirect wholly-owned subsidiaries Arizona Sonoran Copper Company USA Inc. ("ASUSA") and Cactus 110, LLC ("Cactus"). ASCU USA is incorporated in the state of Delaware and is the entity with activities in the USA at the Cactus and Parks/Salyer properties. Cactus is a Delaware company and holds titles to the Cactus and Parks/Salyer properties, in addition to public or private land leases, water rights and other real property, as determined.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration and development projects will result in profitable mining operations. The recoverability of amounts shown for mineral resource properties is dependent on several factors. These factors include the discovery of economically recoverable mineral reserves, the ability to complete development of these properties, and future profitable production or proceeds from the disposition of mineral properties.

Ownership interests in mineral properties involve risks due to the difficulties of determining and obtaining clear title to mineral claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mineral properties. The Company has investigated ownership of its mineral properties, and to the best of its knowledge, ownership of its interests are in good standing.

The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The consolidated financial statements were prepared on a going concern basis and do not reflect the adjustments to carrying values of assets and liabilities and the reported expenses and the consolidated statement of financial position classifications that would be necessary if the going concern assumption was deemed inappropriate. These adjustments could be material.

The Company had $31,741 of cash as at December 31, 2024 (December 31, 2023 - $10,454), which includes $6,000 of cash for the amount funded by Nuton LLC, a Rio Tinto Venture ("Nuton") for completion of the Mainspring PSA (see Note 6). The Company has incurred significant operating losses (a net loss of $7,440 for the year ended December 31, 2024) and has yet to achieve profitable operations resulting in an accumulated deficit of $41,516 as at December 31, 2024. Furthermore, net cash used in operating and investing activities for the year ended December 31, 2024 amounted to $10,902 and $21,882, respectively. Based on the Company's liquidity position as at December 31, 2024, together with the recent financing received subsequent to year-end (see note 17), management has forecasted its cash flow requirements, and believes that it doesn't have sufficient cash resources to support its planned operations for the next twelve months from December 31, 2024. As a result, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

(Expressed in thousands of United States dollars except for share and per share amounts)

The Company will need to obtain further financing in the form of debt, equity, or a combination thereof before the end of the fiscal year to continue with its planned non-discretionary and discretionary operational activities. The Company can adjust its discretionary expenditures to ensure it will continue as a going concern while pursuing additional financing alternatives. Notwithstanding the Company's recent financing (see note 17) and historic funding, there is a risk that sufficient additional financing may not be available to the Company on acceptable terms, or at all. While the Company currently expects to raise additional funds to fund ongoing operations and its commitments in the near-term to continue exploration and development activities, there can be no assurance of that outcome.

2. Basis of Preparation

a) Statement of compliance

These consolidated financial statements of the Company as at and for the year ended December 31, 2024 with comparative information as at and for the year ended December 31, 2023, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting ("IFRS Accounting Standards").

These consolidated financial statements were authorized for issuance on March 27, 2025 by the Board of Directors.

b) Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value as determined at each reporting date.

c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are fully consolidated from the date the Company obtains control and continue to be consolidated until the date that control ceases. Control is achieved when the Company is exposed to or has rights to variable returns from its involvement with that entity and has the ability to affect those returns through its power over the entity.

The principal subsidiaries of the Company, their activities, and their geographic locations as at December 31, 2024 were as follows:

Name of Subsidiary	Place of Operation	Ownership Interest	Principal Activity
Arizona Sonoran Copper Company (USA) Inc.	Delaware, United States	100%	Mineral exploration
Cactus 110 LLC	Delaware, United States	100%	Mineral exploration

All transactions and balances among the entities in the consolidated group are eliminated upon consolidation.

d) Foreign currency translation

The functional and reporting currency of the Company and its subsidiaries is the US dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Foreign currency translation differences are recognized in the consolidated statements of loss and comprehensive loss.

e) Significant accounting judgments and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts and the valuation of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenditures during the year reported. Management uses its best estimates for these purposes, based on assumptions that it believes reflect the most probable set of economic conditions and planned courses of action. However, actual results could differ materially from these estimates. The significant areas of estimation and uncertainty considered by management in preparing the consolidated financial statements for the years ended December 31, 2024 and 2023 are noted below.

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies, reported amounts and disclosures. Actual results could differ from those estimates, and these differences may be material.

The areas that require significant judgements and estimations or where measurements are uncertain are as follows:

<u>Nuton Transaction</u>

The Company has identified that the Option to Joint Venture with Nuton represents a derivative liability and has been designated as at fair value through profit or loss on initial recognition. The amount recorded represents management's best estimate of the fair value of the liability as at December 31, 2024. See note 6.

The fair value of the Nuton liability is determined using the observable market data at the reporting date. When the fair value of the Nuton liability cannot be measured using observable market data, the Company exercises judgment to determine the appropriate valuation technique and makes

assumptions based on the market conditions at the end of each reporting period. The valuation technique may involve a variety of assumptions, incorporating inputs derived from contractual arrangement, observable market data, such as independent price publications and credit spreads. Actual values may significantly differ from these estimates.

The Company believes any change in fair value due to the company's own credit risk or changes in factors contributing to the fair value of the Option Agreement are not significant.

Going Concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectations of future events and cash flows that are believed to be reasonable under the circumstances

Exploration and Evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is impaired in the consolidated statement of loss and comprehensive loss during the year the new information becomes available.

Factors considered in the assessment of impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, and environmental or political factors that could affect the assets' value; whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future on mineral properties; and whether the Company has the necessary funds to be able to maintain its interest in the mineral properties.

Management has performed an impairment indicator assessment on the Company's exploration and evaluation assets and has concluded that no impairment indicators existed as at December 31, 2024.

Share-Based Payments

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and common share purchase warrants ("warrants") granted. This model requires management to estimate the volatility of the Company's future share price, expected lives of stock options and future dividend yields. Consequently, there is significant measurement uncertainty in the fair value of stock-based compensation expenses reported.

3. Material Accounting Policy Information

The material accounting policy information described below have been applied consistently throughout the years presented in these consolidated financial statements.

a) Cash

The Company's cash includes amounts held in banks in deposit accounts and high-interest savings accounts with maturities of 90 days or less. As of December 31, 2024 and 2023, the Company did not have any cash equivalents.

b) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment charges. Land is not depreciated.

Where an item of property and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of property and equipment.

Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The costs of day-to-day servicing (commonly referred to as maintenance and repairs) are recognized in profit or loss as incurred.

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

Mineral properties and mine development costs are stated at cost, less accumulated depreciation and impairment losses. When production commences, these costs are amortized using the units of production (“UOP”) method, based on recoverable pounds from the estimated proven and probable mineral reserves and a portion of measured and indicated mineral resources that are reasonably expected to be converted to proven and probable mineral reserves. Capitalization of costs incurred ceases when the mining property is capable of commencement of mining operations in the manner intended by management. Costs incurred prior to this point, including depreciation of related property and equipment, are capitalized. Non-recoverable costs for projects determined not to be commercially feasible are expensed in the year in which the determination is made or when the carrying value of the project is determined to be impaired.

Depreciation is charged over the estimated useful lives as follows:

Depreciation item:	**Useful life**
Office furniture and equipment	2-5 years
Mine fleet light vehicles and equipment	3-5 years

The depreciation method, useful life and residual values are assessed annually.

Subsequent costs

The cost of replacing part of an item within property and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized as an expense as incurred.

Impairment

The Company's property and equipment are reviewed to the extent that indicators of impairment exist at each consolidated statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment losses are recognized in profit and loss for the year. The recoverable amount is the greater of the asset's fair value less costs of disposal. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of Impairment

An impairment loss is reversed whenever events or changes in circumstance indicate that the impairment may be reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

c) Exploration and evaluation assets

Direct costs related to the acquisition, exploration and evaluation of mineral properties held or controlled by the Company are capitalized on an individual property basis until the property is put into production, sold, abandoned, or determined to be impaired. Administration costs and general exploration costs are expensed as incurred.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation costs are tested for impairment and subsequently transferred to property and equipment. When a property is placed into production, capitalized costs will be depreciated using the units-of-production method.

When a determination is made that there will be no future benefit from the exploration activities, the costs will be written off and expensed to the consolidated statements of loss and comprehensive loss.

Proceeds from the sale of properties, or cash proceeds received from royalty agreements are recorded as a reduction of the related mineral interest, with any excess proceeds accounted for in net loss.

The Company's exploration and evaluation assets are reviewed for indicators of impairment at each consolidated statement of financial position date. This review generally is made by reference to the timing of exploration work, work programs proposed, and the exploration results achieved by the Company. When indicators of impairment exist, the carrying value of a property is compared to its recoverable amount and a write down is made to the extent the carrying amount exceeds the recoverable amount. The amounts shown for the exploration and evaluation assets represent costs incurred to date and do not reflect present or future values. Acquisition costs represent shares or cash paid to acquire the rights to the resource property, while exploration and evaluation expenditures represent amounts paid to explore and evaluate the extent of mineralization at the resource properties. The recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves and the ability of the Company to obtain necessary financing to successfully complete the exploration programs.

d) Provisions

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.

A liability for decommissioning and restoration is recorded in the year 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 a time value in the estimated future cash flows (accretion expense) considered in the initial measurement. The Company's estimates of provisions 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 year in which these estimates are revised.

e) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be realized.

f) Financial instruments

Financial instruments are recognized in the consolidated statements of financial position when the Company becomes a party to a contractual obligation. At initial recognition, the Company classifies and measures its financial instruments as one of the following:

- At amortized cost if they are held to collect contractual cash flows which solely represent payments of principal and interest;
- Financial instruments measured at amortized cost are initially recognized at fair value plus or minus transaction costs and subsequently carried at amortized cost less any impairment;
- Otherwise, they are classified at fair value through profit or loss (“FVTPL”).

The Company uses various valuation techniques and assumptions when measuring the fair value of its financial assets and financial liabilities. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

The Company’s fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are based on quoted prices (unadjusted) in active markets that are accessible at the reporting date for identical assets or liabilities;

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

Level 3 – Inputs are based on prices or valuation techniques that are both unobservable and significant to the
overall fair value measurement.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligations specified in the contract are discharged, cancelled or they expire.

At each reporting date, the Company uses the expected credit losses model to assess the impairment of its loans and receivables. The expected losses represent possible outcomes weighted by the probability of their occurrence, and the model focuses on the risk of default rather than whether a loss has been incurred. If there has been a significant increase in credit risk, an allowance would be recognized in the consolidated statements of loss and comprehensive loss.

g) Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.

h) Share-based payments

The Company has share-based equity settled compensation plans for stock options and RSUs, and a cash-settled share-based plan for deferred share units (“DSU”). The plans comprise part of the compensation for certain employees, directors and executive management as part of the Company's Long-Term Incentive Plan ("LTIP"). The Company recognizes the cost of share-based compensation based on the estimated fair value of new share options, RSUs and DSUs granted to certain employees, consultants, officers and directors.

Stock Options

The fair value of stock options granted to directors, officers, employees, and consultants is calculated using the Black Scholes option pricing model and are expensed over the vesting years. If and when the stock options are exercised, the value attributable to the stock options is transferred to share capital.

RSUs

The fair value of RSUs is recognized based on the market value of the Company's common shares on the date prior to the date of the grant. RSUs can be settled in either cash, shares, or a combination thereof at the sole discretion of the Company. Such a decision is to be made on each vesting date. The Company considers these RSUs as equity-settled share-based payments and has no history of settling in cash to-date.

DSUs

The fair value of DSUs is recognized based on the market value of the Company's common shares on the date prior to the date of the grant. DSUs can be settled in either cash, shares, or a combination thereof at the discretion of the participant. The DSUs granted to the holders are to be held in a deferred share unit account until they become payable to the DSU holder on their termination date as a director. The Company considers these DSUs as cash-settled share-based payments based on a history of settling in cash to-date.

i) Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants, and convertible debentures, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting years.

4. Accounting standard recently adopted or effective

There were no material new or amended accounting standards that are effective for reporting periods beginning on or after January 1, 2024 affecting these consolidated financial statements. Below is a summary of new and amended standards.

New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 16 - lease liability in a sale and leaseback

The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the Company’s consolidated financial statements.

Amendments to IAS 1 - classification of liabilities as current or non-current

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Company’s consolidated financial statements.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s consolidated financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 18 - Presentation and disclosure in financial statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements.* IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements (PFS) and the notes.

(Expressed in thousands of United States dollars except for share and per share amounts)

In addition, narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows,* which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Company is currently working to identify all impacts the amendments will have on the primary consolidated financial statements and notes to the consolidated financial statements.

5. Exploration and evaluation assets

The following is the detail of the total Exploration and evaluation assets of the Company:

	Capitalized Exploration Costs Assets ($)
Balance at December 31, 2022	46,596
Additions	43,155
Balance at December 31, 2023	89,751
Additions	9,397
Balance at December 31, 2024	99,148

The Company's mineral properties consist of capitalized exploration expenditures on the lands mentioned below as well as the acquisition costs of real property that make up the Cactus Project.

Material property agreements with activity in the year are as follows:

Trust Lands

Properties known as AR Sacaton LLC, under the management of the ASARCO Multi-state Environmental Custodial Trust (the "Trust"), were purchased for $6,000 on July 13, 2020.

Additional properties have been purchased that were once part of the Sacaton Unit and are contiguous with the Trust properties. These properties consist of the following:

- the Merrill Property Division on July 10, 2020, land parcels to the south of the property, known as "Parks/Salyer", was purchased for $1,600.
- from Copper Mountain on February 10, 2022, land made up of 5 parcels was purchased for $2,600.

The Trust properties were brought to the Company's attention by the consulting group, TAGC Ventures LLC ("TAGC"). An initial founder's fee amount of $200 was paid on July 10, 2020. In addition, three incremental payments totaling $1,050 are due to TAGC if certain performance achievements are met, as follows:

- Due upon completion of permitting $300
- Due upon start of commercial production $500
- Due upon first anniversary of production start $250

The Company paid $100 of the amount due upon the completion of permitting on October 23, 2023 and another $200 on February 20, 2024 upon the completion of subsequent permitting. The current amount outstanding to TAGC is $750. The founder's fee amounts are capitalized as part of the land acquisition costs above. The balance of payments will be recorded if and when the Company undertakes and completes the milestones stipulated in the agreement.

Bronco Creek agreement

On February 9, 2022 (the "Registration Date"), the Company entered into an assumption and assignment agreement ("the Agreement") with Bronco Creek Exploration Inc. ("Bronco Creek") under which Bronco Creek assigned an exploration permit (the "BCE Permit") to the Company.

The BCE Permit relates to a portion of the Parks/Salyer copper target, located southwest of the Sacaton open pit copper mine. The terms set out in the Agreement are as follows:

- The Company made a payment of $5 upon execution of the Agreement.
- The Company made a payment of $195 upon transfer and registration of the Permit to Cactus 110 LLC.
- Bronco Creek will retain a 1.5% NSR royalty interest on the BCE Permit; the Company may buy back one percent (1%) of the royalty for a payment of $500.
- Bronco Creek will receive annual advance royalty ("AAR") payments of $50. The AAR payments cease upon commencement of commercial production and can be bought out at any time for a payment of $1,000.
- The Company made two milestone payments in 2022 of $1,500 upon declaration of a mineral resource containing 100 million pounds or more of copper and another payment of $1,500 upon further declaration of an additional 100 million pounds of copper contained in a resource for a total of $3,000 combined.
- In the two years following the Registration Date, the Company made yearly exploration expenditures totaling $2,000 prior to the first anniversary and a cumulative total of $4,000 prior to the second anniversary achieved in July 2023.

A total of $3,200 was capitalized to Exploration and Evaluation Assets related to this Agreement, comprised of the $5 cash payment made upon execution of the Agreement, $195 of cash paid after registration of the Permit and $3,000 made following declaration of the Parks/Salyer mineral resource on September 28, 2022.

On December 30, 2024, the Company completed a buyback of 1% of the Bronco Creek net smelter royalty ("BCE NSR") for a cash payment of $500, reducing the NSR on the BCE Permit from 1.5% to a remaining 0.5% NSR. The BCE NSR applies to the BCE Permit which comprises a portion of the Parks/Salyer deposit on the Cactus Project.

LKY Property

Pursuant to the LKY/Copper Mountain Investments Limited Partnership LLP ("LKY") real estate purchase and sale agreement dated May 21, 2021 (as amended in February 2022), the total purchase price of $21,064 inclusive of fees and interest is to be paid in three separate disbursements:

- $8,114 was paid as at the closing date of February 10, 2022;
- $7,950 was paid on the first anniversary of the closing date on February 10, 2023; and
- The final $5,000 is to be paid on the fifth anniversary of the closing date.

As of December 31, 2024, the Company had paid a total of $16,064 in two non-refundable deposits in connection with the LKY/Copper Mountain agreement. From the $16,064 paid, $1,278 was allocated to surface rights and the balance was allocated to mineral rights.

MainSpring Property

On February 28, 2023, the Company announced ASCU's wholly owned subsidiary, Cactus 110 LLC had entered into a purchase and sale agreement ("MainSpring PSA") for 523 acres of private land, contiguous to the Company's Parks/Salyer project (the "MainSpring Property") for total consideration of $14,000 to be paid as below:

- Payment of a $1,000 non-refundable deposit into an escrow account which was paid at the time of signing of the agreement on February 28, 2023 (the "Effective Date");
- Payment of $2,000 was paid on July 28, 2023 from the Effective Date;
- Payment of $5,000 one year from the Effective Date which transferred title to Cactus 110 LLC ("Closing Date"). This payment was reduced by the amount spent by the Company on drilling activity on the MainSpring property and was completed on February 28, 2024 as detailed below;
- Payment of $6,000 together with accrued interest at 6% per annum, within 1 year from the Closing Date secured by way of a promissory note and deed of trust on the subject property. The promissory note was repaid on January 31, 2025 prior to the maturity date of February 28, 2025.

As of February 28, 2024, the Company had paid a total of $8,015 in cash deposits and drilling fees combined in connection with the MainSpring PSA to close the MainSpring transaction and acquire title. From the $8,015 paid, $939 was allocated to surface rights and the balance was allocated to mineral rights. Of the $5,000 Closing Date payment, $4,400 was paid as drilling fees deducted against the final closing payment, which included $615 of closing costs.

The promissory note value was recorded at inception using a discount rate of 10.35% based on an average of industry peers. It had a carrying value of $5,980 at December 31, 2024, and resulted in $813 of accretion expense during the year ended December 31, 2024. The amount is included in other current liabilities on consolidated statement of financial position.

6. Nuton Option to Joint Venture

On December 14, 2023, the Company entered into an Option to Joint Venture Agreement (the "Option Agreement") with Nuton and two of ASCU's wholly-owned subsidiaries, ASUSA and Cactus to advance land acquisition, development and exploration at the Cactus Project in Arizona.

Under the Option Agreement, ASUSA has granted Nuton the exclusive right and option (the "Option") to acquire between a 35.0% to 40.0% interest in the Company's Cactus Project on the terms and conditions contained in the Option Agreement. In addition, Nuton will evaluate the potential commercial deployment of its heap leaching technologies at the site.

The Option Agreement provides for total funding of up to $33,000 in cash, comprised of the following:

- An amount of $10,000 payable by Nuton to ASUSA within 30 days of the signing ("Option Exclusivity Payment") of the Option Agreement (cash payment received by ASUSA on January 10, 2024). The Company has determined that the Option Exclusivity Payment represents a derivative liability which has been recorded at its fair value of $10,000 as at December 31, 2023. The Company has determined that the fair value of the derivative liability is approximately $10,000 as at December 31, 2024 (December 31, 2023 - $10,000) considering cash value of the Option Agreement to be the best indicator of fair value in the early stages of the Nuton Phase 2 test work and given that the Trigger Events (defined below) have not yet been met. The Option Exclusivity payment is considered a level 3 instrument in the fair value hierarchy as one or more of the significant inputs is not based on observable market data. This is the case for unlisted instruments where risk could give rise to a significant unobservable adjustment.

- Up to $11,000 available to be drawn by ASUSA in the form of a pre-payment towards the Option Exercise Price (defined below) to be used for certain land payments. An amount of $5,000 was drawn on December 29, 2023 and an additional amount of $6,000 was drawn on December 13, 2024 (the "Option Exercise Price Pre-Payment Amount") to fund the MainSpring PSA closing (see note 5). The deposited amounts are credited as a non-current liability for the Nuton Deposit. If the Option Agreement trigger events are not met, the Company must repay this amount in cash or a convertible debenture at Nuton's election within 9 months upon receiving notice from Nuton. The amount recorded represents the amortized cost of the liability for the year ended December 31, 2024.

- Up to $12,000 payable to ASCU for funding costs associated with continued Nuton Phase 2 test work required to produce the Integrated Nuton Case PFS (defined below). As at December 31, 2024, an amount of $12,000 for Nuton Phase 2 test work and $400 over and above the Option Agreement requirements as mutually agreed to assist in funding a preliminary economic assessment ("PEA") had been received. These funds were spent on Nuton Phase 2 test work and on the PEA in 2024. The amounts spent were credited against exploration and evaluation spending.

Grant of Option

Should the following criteria be satisfied (the "Trigger Events"), Nuton shall have the option to acquire between 37.5% to 40.0% of the Cactus Project by payment of the Option Exercise Price (defined below):

(i) the prefeasibility study prepared by the Company in conjunction with Nuton for the Cactus Project (the "Integrated Nuton Case PFS") indicates that the net present value (the "NPV") of the Cactus Project after applying the Nuton technologies (the "Nuton Case") is at least 1.39 times the NPV of the Cactus Project without applying the Nuton technologies (the "Standalone Case");

(ii) ASCU's equity contribution to project capital costs under the Nuton Case shall remain equal to or less than its equity contribution to project capital costs under the Standalone Case (assuming 50% of the Standalone Case capital costs are financed with debt); and

(iii) Nuton shall have made all payments required under the Option Agreement.

Should the MainSpring Property, which is currently the subject of exploration efforts, have positive economics to ASCU and be incorporated in a prefeasibility study in addition to the Cactus Project (the "Standalone Case with MainSpring") the Trigger Event (i) above shall be as amended and Nuton shall have the option to acquire between 35.0% to 40.0% of the Cactus Project (including the MainSpring Property) by payment of the Option Exercise Price in the event that the Nuton Case PFS with the MainSpring Property is at least 1.20 times the NPV of the Standalone Case with MainSpring.

Upon notice by ASCU to Nuton that the Trigger Events have been met, the parties will determine the exercise price (the "Option Exercise Price") pursuant to mechanics outlined in the Option Agreement defined as the product of (x) Nuton's ownership percentage in the Joint Venture Corporation (the "Initial Nuton Ownership Percentage"), (y) the NPV of the Standalone Case (as referenced in the Integrated Nuton Case PFS) and (z) a multiple of 0.65.

Following such determination, if Nuton elects to exercise the Option, Nuton will pay to ASUSA the Option Exercise Price net of any Option Exercise Price Pre-Payment Amount and accrued interest at an annual rate equal to the Secured Overnight Financing Rate plus 4.25% ("Interest") within 30 days of a notice to exercise.

Nuton will have the right to terminate the Option Agreement and be repaid amounts paid by Nuton under the Option Agreement if there is a change of control transaction in respect of ASCU during the term of the Option Agreement.

7. Property and Equipment

The following are the details of the property and equipment including surface rights from exploration and evaluation assets:

(Expressed in thousands of United States dollars except for share and per share amounts)

	Surface rights (Land) ($)	Mine Fleet Light Vehicles and Equipment ($)	Office Furniture and Equipment ($)	Total ($)
Cost	2,467	302	11	2,780
Additions	912	9	-	921
Balance at December 31, 2023	3,379	311	11	3,701
Accumulated depreciation, amortization and impairment				
Depreciation	-	(63)	-	(63)
Balance at December 31, 2023	-	(146)	(11)	(157)
Net book value at December 31, 2023	3,379	165	-	3,544
Cost				
Additions	794	-	-	794
Balance at December 31, 2024	4,173	311	11	4,495
Accumulated depreciation, amortization and impairment				
Depreciation	-	(71)	-	(71)
Balance at December 31, 2024	-	(217)	(11)	(228)
Net book value at December 31, 2024	4,173	94	-	4,267

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

	December 31, 2024	December 31, 2023
Trade payables	$ 467	$ 1,189
Accrued liabilities	2,018	7,012
Other payables	106	121
	$ 2,591	$ 8,322

As at December 31, 2023, the Company had recognized a provision in accrued liabilities of $4,718 plus accretion of $274 for the payment that was made for the MainSpring PSA on the Closing Date of February 28, 2024.

On July 26, 2023, the Company was made aware of a liability resulting from a cyber security incident that led to payments being made in June and July 2023 to a third party, for costs incurred in May and June 2023, in the aggregate amount of $2,359. The Company reflected the loss on transaction in the comparative consolidated statement of loss and comprehensive loss.

9. Asset Retirement Obligations

The purchase of the Cactus Project land parcel was finalized with the ASARCO Multi-state Environmental Custodial Trust (the "Trust") on July 13, 2020. The property clean-up has been completed, and closure approvals are underway with the Arizona Department of Environmental Quality and the Environmental Protection Agency on behalf of the Department of Justice. An agreement with the Arizona Department of Environmental Quality was reached and executed on January 8, 2020, whereby ASCU will not be held liable for past environmental issues.

Once future construction plans are finalized and initiated, ASUSA will be required to post a reclamation bond with Arizona Department of Environmental Quality estimated at $3,900 and with the State of Arizona State Mine Inspector estimated at $5,000 for future work.

On April 3, 2023, the Company was awarded its Mined Land Reclamation Permit ("MLRP"). The MLRP is the primary financial assurance document requiring the operator to bond for the full reclamation of the property after mining operations have concluded. A surety bond for $4,800 was posted with the Arizona State Mine Inspector on June 1, 2023. To date, the Company does not have any reclamation liabilities relating to this or other permits, as a development decision has not been made.

10. Equity

a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value. As at December 31, 2024, there were 135,523,952 common shares outstanding (December 31, 2023 – 109,067,336 common shares outstanding).

b) Issued Shares

The following is a continuity of equity transactions in the year ended December 31, 2024:

- In the year ended December 31, 2024, the Company issued 86,222 common shares in relation to RSUs that vested in the year (see Note 10d), 114,583 common shares related to a warrant exercise and 75,237 common shares for an option exercise that occurred in December 2023 and 224,315 exercised in 2024 for combined 299,552 common shares for options exercised.

- On October 9, 2024, the Company closed a bought deal financing of 23,805,000 common shares in the capital of the Company at a price of C$1.45 per Common Share, for gross proceeds to the Company of C$34,517 ($25,215) (the "October 2024 Offering") less $1,464 of transaction costs. On November 13, 2024, the Company closed a non-brokered private placement financing in respect of the exercise by Nuton of its pre-emptive rights under its Investor Rights Agreement relating to the October 2024 Offering. Nuton subscribed for 2,151,259 common shares of the Company at a price of C$1.45 per Common Share for aggregate gross proceeds to the Company of C$3,119 ($2,231).

c) Stock Options

On July 7, 2020 (amended July 21, 2021), the Board of Directors implemented an equity incentive plan under which the Company is authorized to grant a combination of stock options and restricted shares up to 10% of the total number of common shares issued and outstanding at any given time.

(Expressed in thousands of United States dollars except for share and per share amounts)

The following is a continuity of the Company's stock options outstanding as at December 31, 2024:

For the years ended	**December 31, 2024**			**December 31, 2023**		
	Number of options		**Weighted average exercise price**	**Number of options**		**Weighted average exercise price**
Options outstanding, beginning of year	6,128,305	$	1.28	3,130,357	$	1.21
Granted	1,900,257		1.15	3,290,678		1.31
Cancelled	-		-	(29,892)		1.47
Expired	(602,508)		-	(79,952)		2.02
Exercised	(224,315)		0.45	(182,886)		0.90
Options outstanding, end of year	7,201,739	$	1.25	6,128,305	$	1.28
Options exercisable, end of year	5,296,781	$	1.26	3,930,032	$	1.23

Details of stock options outstanding as at December 31, 2024 are as follows:

Number of options outstanding	**Number of options exercisable**		**Exercise Price**	**Expiry Date**
627,862	627,862	$	0.45	20-Jul-25
85,986	85,986	$	0.45	12-Nov-25
42,993	42,993	$	0.45	14-Dec-25
96,666	96,666	$	1.50	4-Jan-26
250,000	250,000	$	2.10	6-Jul-26
475,000	475,000	$	1.58	10-Jan-27
621,319	621,319	$	1.61	31-Jan-27
80,000	80,000	$	1.47	13-May-27
128,000	76,800	$	1.55	24-Jun-27
2,220,729	1,607,024	$	1.32	28-Feb-28
564,471	327,901	$	1.26	22-Jun-28
42,763	42,763	$	1.24	5-Jul-28
65,693	21,898	$	1.23	19-Sep-28
1,650,257	857,236	$	1.15	14-Mar-29
250,000	83,333	$	1.15	1-Oct-29
7,201,739	5,296,781	$	1.25	

As at December 31, 2024, outstanding stock options had a weighted average remaining life of 2.19 years (December 31, 2023 – 2.83 years).

(Expressed in thousands of United States dollars except for share and per share amounts)

The following Black Scholes assumptions were used in the valuation of stock options granted during the year ended December 31, 2024 and year ended December 31, 2023:

For the years ended	**December 31, 2024**	**December 31, 2023**
Volatility	52%	78%
Expected life in years	5 years	5 years
Weighted average grant date share price	$1.34	$1.31
Weighted average exercise price	$1.55	$1.27
Dividend rate	0%	0%
Risk-free rate	4.22%	4.03% - 4.51%
Forfeiture rate	0%	0%

Total stock-based compensation recognized related to stock options during the year ended December 31, 2024 was $963 (year ended December 31, 2023 - $2,259).

d) Restricted Share Units ("RSUs")

RSUs can be settled in either cash, shares, or a combination thereof at the sole discretion of the Company. Such a decision is to be made on each vesting date. The Company considers these RSUs as equity-settled share-based payments and has no history of settling in cash to-date.

As at December 31, 2024, the Company had the following RSUs outstanding:

For the years ended	**December 31, 2024**		**December 31, 2023**	
	Number of RSUs	**Weighted average price**	**Number of RSUs**	**Weighted average price**
RSUs outstanding, beginning of year	203,111	$ 1.41	203,111	$ 1.41
Granted	777,165	1.15	-	-
Vested	(86,222)	1.44	-	-
RSUs outstanding, end of year	894,054	$ 1.18	203,111	$ 1.41

Total stock-based compensation recognized related to RSUs during the year ended December 31, 2024 was $234 (year ended December 31, 2023 - $42).

e) Warrants

As at December 31, 2024, the Company has the following warrants outstanding:

(Expressed in thousands of United States dollars except for share and per share amounts)

For the years ended	December 31, 2024			December 31, 2023		
	Number of warrants		Weighted average exercise price	Number of warrants		Weighted average exercise price
Warrants outstanding, beginning of year	2,498,421	$	1.88	6,355,178	$	1.03
Expired	(2,383,838)	$	1.96			
Exercised	(114,583)		0.30	(3,856,757)		0.48
Warrants outstanding, end of year	-		-	2,498,421	$	1.88

As at December 31, 2024 the Company had no warrants outstanding.

f) Deferred Share Units ("DSUs")

DSUs can be settled in either cash, shares, or a combination thereof at the discretion of the participant. The DSUs granted to the holders are to be held in a deferred share unit account until they become payable to the DSU holder on their termination date as a director. The Company considers these DSUs as cash-settled share-based payments based on a history of settling in cash to-date. The DSU liability was revalued at December 31, 2024, with a resulting gain of $180 recognized in the consolidated statements of loss and comprehensive loss under gain on incentive plan for the year.

As at December 31, 2024, details of DSUs outstanding are as follows:

For the years ended	December 31, 2024			December 31, 2023		
	Number of DSUs		Weighted average price	Number of DSUs		Weighted average price
DSUs outstanding, beginning of year	467,315	$	1.55	355,055	$	1.60
Granted	301,006		1.15	190,850		1.45
Cancelled	-		-	(11,492)		1.48
Vested	-		-	(67,098)		1.58
DSUs outstanding, end of year	768,321	$	1.39	467,315	$	1.55

The fair value of each DSU granted was estimated to be $1.15 (December 31, 2023 - $1.45), which was based on the value of the director's compensation on the date of the grants.

The Company recognized a total of $346 (December 31, 2023 - $278) as prepaid share-based payment for the award of the DSUs during year ended December 31, 2024.

11. Related Party Transactions

Other than the Nuton transactions disclosed note 6, the following are the related party transactions:

Tembo acquired 2,833,717 Common Shares at a price of $2.00 per share in the February 2023 Offering.

(Expressed in thousands of United States dollars except for share and per share amounts)

As at December 31, 2024, no material amounts were owed to or from the Company by key management personnel and directors (December 31, 2023 – Nil).

The remuneration of the key executive management and directors was as follows:

	December 31, 2024	December 31, 2023
Salaries and wages	$ 1,108	$ 628
Severance	-	741
Salaries and wages capitalized as exploration	508	640
Share-based compensation*	952	1,469
Directors' fees	596	660
	$ 3,164	$ 4,138

*Share-based compensation includes shares issued for services, stock options, RSUs and DSUs.

12. Commitments and Contingencies

The Company has future exploration and evaluation expenditure obligations with respect to its land agreements as follows (see Note 5 and 6):

Trust Lands

Based on the achievement of certain development milestones, the Company is obligated to make future payments to TAGC Ventures LLC of up to $750 in connection with the purchase of Trust lands.

LKY

- The final $5,000 is due for the LKY Purchase on the fifth anniversary of the closing date on February 10, 2027.

Nuton

- In the event that change of control occurs, such that the Option Agreement is terminated, the Company will have to repay the $10,000 Option Exclusivity Payment and the $11,000 Option Exercise Price Pre-Payment Amount.

13. Operating Segments

As of December 31, 2024 and December 31, 2023, the Company is operating its business in one operating and reportable segment: mineral exploration and development in the United States of America. All of the Company's non-current assets are situated in North America.

14. Financial Instruments and Risk Management

Currency risk

The Company is exposed to financial risk due to changes in foreign exchange rates. The Company operates in the United States and Canada, and a portion of its expenses are incurred in Canadian dollars. A significant change in the exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. At December 31, 2024, the Company is exposed to currency risk mainly through its cash denominated in Canadian dollars totaling C$31,681 (December 31, 2023 – C$8,816).

(Expressed in thousands of United States dollars except for share and per share amounts)

Based on the exposure as at December 31, 2024, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an increase/decrease of approximately $2,202 in the Company's reported loss for the year.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit risk the Company is exposed to is 100% of cash and receivables.

The Company's cash is held in large Canadian or US financial institutions. As a result, the Company concludes that there are negligible expected losses because the holdings are in cash.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements by taking into account anticipated cash expenditures for its exploration and operational activities.

The Company will pursue additional equity or debt financing as required to meet its long-term commitments. There is no assurance that such financing will be available or that it will be available on favorable terms.

As at December 31, 2024, the contractual undiscounted future cash flows of the Company's significant financial liabilities are as follows:

	< 6 months	6 – 12 months	1 - 2 years	Total cash flows at December 31, 2024
Financial liabilities at fair value:				
DSU liability	-	-	785	785
Financial liabilities at amortized cost:				
Accounts payable	467	-	-	467
Accruals	2,018	-	-	2,018
Nuton deposit	-	-	11,484	11,484
Lease liabilities	16	-	-	16
Other current liabilities	106	5,980	-	6,086
	2,607	5,980	12,269	20,856

(Expressed in thousands of United States dollars except for share and per share amounts)

As at December 31, 2024, the carrying values of all financial assets and financial liabilities approximate their fair value with the exception of the long-term MainSpring PSA provision noted in Note 5 at amortized cost. The DSU Liability is considered a level 1 instrument in the fair value hierarchy as its inputs use quoted share prices and exchange rates for remeasurement.

15. Capital Management

The Company considers its capital to consist of debt and equity, the latter comprising share capital, reserves, and deficit. The Company's objectives are to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, pursuit of accretive opportunities, and to maximize shareholder return through enhancing the share value. The Company manages its capital through its budgeting and forecasting processes.

The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities.

To maintain its objectives, the Company may issue new shares, adjust capital spending, acquire, or dispose of assets. There is no assurance that these initiatives will be successful. The Company is currently not exposed to any externally imposed capital requirements.

16. Income Taxes

The tax expense at statutory rates for the Company can be reconciled to the reported loss per the consolidated statements of loss and comprehensive loss as follows:

	December 31, 2024	December 31, 2023
Loss before income taxes	$ (7,440)	$ (6,989)
Canadian federal and provincial income tax rates	27.00%	27.00%
Income tax expense (recovery) computed at statutory tax rate	(2,009)	(1,887)
Change in unrecognized tax benefit of deferred income tax assets	1,741	1,388
Items note deductible for income tax purposes	316	523
FX and other	238	236
Difference in tax rates in other jurisdictions	43	69
Financing cost	(329)	(329)
Total income taxes	$ -	$ -

The Company's unrecognized deferred income tax assets are as follows:

	December 31, 2024	December 31, 2023
Unrecognized deferred income tax assets (liabilities):		
Non-capital losses carried forward	$ 11,889	$ 9,687
Financing cost	684	612
Mineral properties	(5,285)	593
Total unrecognized deferred income tax assets	$ 7,288	$ 10,892

The Company has combined federal non-capital losses available of $49,439 that may be carried forward to reduce future taxable income. All US federal net operating loss carryforwards in the amount of $32,413 have an indefinite life. State net operating loss carryforwards in the amount of $12,524 have a 20 year carryforward period and will begin expiring in 2044.These losses are with respect to Canadian operations, and if not utilized, will expire as follows:

(Expressed in thousands of United States dollars except for share and per share amounts)

Expiry	Canada
2039	5
2040	1,537
2041	5,157
2042	3,860
2043	882
2044	5,585
	17,026

17. Events after the reporting period

(a) Private Placement

On January 31, 2025, the Company closed a private placement with Hudbay Minerals Inc. ("Hudbay") of 11,955,271 common shares at a price of C$1.68 for gross proceeds to the Company of C$20,085 ($13,866). Additionally, Nuton exercised its pre-emptive rights in respect of the Hudbay Placement, pursuant to the terms of its investor rights agreement to maintain its 7.2% equity interest in the Company by acquiring 929,887 shares of the Company for gross proceeds of C$1,562 ($1,078).

(b) *Mainspring Promissory Note*

On January 31, 2025, the Company completed the Mainspring PSA with a payment of $6,000 together with accrued interest at 6% per annum, ahead of its February 28, 2025 maturity date.